

AbitibiBowater Inc.

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10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 5/12/2008
Filed Period 3/31/2008



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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER: 1-33776

ABITIBIBOWATER INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

98-0526415

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification number)

1155 Metcalfe Street, Suite 800; Montréal, Québec; Canada H3B 5H2

(Address of principal executive offices) (Zip Code)

(514) 875-2160

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 30, 2008, there were 53,163,151 shares of AbitibiBowater common stock outstanding.

**ABITIBIBOWATER INC.
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ABITIBIBOWATER INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions except per share amounts)

	Three months ended	
	March 31,	
	2008	2007
Sales	\$ 1,728	\$ 772
Costs and expenses:		
Cost of sales, excluding depreciation, amortization and cost of timber harvested	1,403	601
Depreciation, amortization and cost of timber harvested	191	80
Distribution costs	199	75
Selling and administrative expenses	97	49
Closure costs and other related charges	10	—
Net gain on disposition of assets	(23)	(58)
Operating (loss) income	(149)	25
Interest expense	(129)	(47)
Other income (expense), net	34	(5)
Loss before income taxes and minority interests	(244)	(27)
Income tax provision	(3)	(1)
Minority interests, net of tax	(1)	(7)
Net loss	\$ (248)	\$ (35)
Net loss per common share:		
Basic and diluted	\$ (4.32)	\$ (1.19)
Weighted-average number of shares outstanding:		
Basic and diluted (Restated in 2007 – Note 1)	57.5	29.9
Dividends declared per common share	\$ —	\$ 0.38

See accompanying notes to consolidated financial statements.

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ABITIBIBOWATER INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions)

	March 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 292	\$ 195
Accounts receivable, net	809	754
Inventories, net	905	906
Assets held for sale	217	184
Other current assets	101	103
Total current assets	2,324	2,142
Timber and timberlands	54	58
Fixed assets, net	5,569	5,707
Goodwill	779	779
Other intangible assets, net	1,170	1,203
Other assets	429	430
Total assets	\$ 10,325	\$ 10,319
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,195	\$ 1,206
Short-term bank debt	894	589
Current installments of long-term debt	366	364
Liabilities associated with assets held for sale	25	19
Total current liabilities	2,480	2,178
Long-term debt, net of current installments	4,697	4,695
Pension and other postretirement benefit obligations	905	936
Other long-term liabilities	243	231
Deferred income taxes	235	230
Minority interests in subsidiaries	147	150
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$1 par value. 52.6 shares at March 31, 2008 and 52.4 shares at December 31, 2007	53	52
Exchangeable shares, no par value. 4.9 shares at March 31, 2008 and 5.1 shares at December 31, 2007	267	276
Additional paid-in capital	2,323	2,313
Retained deficit	(852)	(598)
Accumulated other comprehensive loss	(173)	(144)
Total shareholders' equity	1,618	1,899
Total liabilities and shareholders' equity	\$ 10,325	\$ 10,319

See accompanying notes to consolidated financial statements.

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ABITIBIBOWATER INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited, in millions except per-share amounts)

For the three months ended March 31, 2008

	Common Stock	Exchangeable Shares	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2007	\$ 52	\$ 276	\$ 2,313	\$ (598)	\$ (144)	\$ 1,899
Adoption of SFAS 158, net of tax	–	–	–	(6)	(11)	(17)
Exchangeable shares retracted and common issued (0.2 shares)	1	(9)	8	–	–	–
Share-based compensation costs for equity awards	–	–	2	–	–	2
Comprehensive loss:						
Net loss	–	–	–	(248)	–	(248)
Change in unrealized prior service costs, net of tax of \$1	–	–	–	–	1	1
Change in actuarial gains and losses, net of tax of \$1	–	–	–	–	(2)	(2)
Foreign currency translation	–	–	–	–	(19)	(19)
Change in unrecognized gain on hedged transactions, net of tax of \$1	–	–	–	–	2	2
Total comprehensive loss						(266)
Balance at March 31, 2008	\$ 53	\$ 267	\$ 2,323	\$ (852)	\$ (173)	\$ 1,618

For the three months ended March 31, 2007

	Common Stock (restated)	Exchangeable Shares	Additional Paid-In Capital (restated)	Retained Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at December 31, 2006	\$ 35	\$ 68	\$ 1,663	\$ (76)	\$ (371)	\$ (486)	\$ 833
Adoption of FIN 48	–	–	–	2	–	–	2
Dividends on common stock (\$0.38 per share)	–	–	–	(12)	–	–	(12)
Exchangeable shares retracted and common issued (0.1 shares)	–	(11)	11	–	–	–	–
Share-based compensation	–	–	4	–	–	–	4
Comprehensive loss:							
Net loss	–	–	–	(35)	–	–	(35)
Change in unamortized prior service costs, net of tax of \$1	–	–	–	–	(1)	–	(1)
Change in unamortized actuarial gains and losses, net of tax of \$2	–	–	–	–	8	–	8
Foreign currency translation	–	–	–	–	–	–	–
Change in unrecognized gain on hedged transactions, net of tax of \$1	–	–	–	–	1	–	1
Total comprehensive loss							(31)
Balance at March 31, 2007	\$ 35	\$ 57	\$ 1,678	\$ (121)	\$ (367)	\$ (486)	\$ 796

See accompanying notes to consolidated financial statements.

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ABITIBIBOWATER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three months ended March 31	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (248)	\$ (35)
Adjustments to reconcile net loss to net cash from operating activities:		
Share-based compensation	6	5
Depreciation, amortization and cost of timber harvested	191	80
Deferred income taxes	(8)	(3)
Minority interests, net of tax	1	7
Net pension contributions	(60)	(11)
Net gain on disposition of assets	(23)	(58)
Amortization of debt discount (premium), net	14	(2)
Gain on translation of foreign-currency denominated debt	(14)	-
Changes in working capital:		
Accounts receivable	(55)	30
Inventories	1	(27)
Income taxes receivable and payable	11	4
Accounts payable and accrued liabilities	6	(12)
Other, net	(19)	6
Net cash used for operating activities	(197)	(16)
Cash flows from investing activities:		
Cash invested in fixed assets, timber and timberlands	(35)	(26)
Dispositions of assets, including timber and timberlands	29	64
Direct acquisition costs related to the Combination	-	(9)
Other investing activities, net	(1)	-
Net cash (used for) provided by investing activities	(7)	29
Cash flows from financing activities:		
Cash dividends, including minority interests	(2)	(11)
Short-term financing	306	8
Short-term financing repayments	-	(8)
Payments of long-term debt	(3)	(3)
Net cash provided by (used for) financing activities	301	(14)
Net increase (decrease) in cash and cash equivalents	97	(1)
Cash and cash equivalents:		
Beginning of period	195	99
End of period	\$ 292	\$ 98

See accompanying notes to consolidated financial statements.

1. Organization and Basis of Presentation

Basis of Presentation

On October 29, 2007, pursuant to a Combination Agreement and Agreement and Plan of Merger, dated as of January 29, 2007, Abitibi–Consolidated Inc. (“Abitibi”) and Bowater Incorporated (“Bowater”) combined in a merger of equals (the “Combination”) with each becoming a wholly–owned subsidiary of AbitibiBowater Inc. (“AbitibiBowater,” also referred to as “we” or “our”). The Combination has been accounted for in accordance with Statement of Financial Accounting Standards No. 141 (“SFAS 141”), “Business Combinations.” Bowater is deemed to be the “acquirer” of Abitibi for accounting purposes, and AbitibiBowater is deemed to be the successor to Bowater for purposes of U.S. securities laws and regulations governing financial reporting. Therefore, unless otherwise indicated, our consolidated financial statements and notes reflect the results of operations and financial position of both Abitibi and Bowater as of March 31, 2008 and December 31, 2007 and for the three–month period ended March 31, 2008 and those of only Bowater for the three–month period ended March 31, 2007. As a result of the Combination, each issued and outstanding share of Bowater common stock and exchangeable share of Bowater Canada Inc. (a wholly–owned subsidiary of Bowater now named AbitibiBowater Canada Inc.) was converted into 0.52 of a share of AbitibiBowater common stock and 0.52 of an exchangeable share of AbitibiBowater Canada Inc., respectively. Each issued and outstanding share of Abitibi common stock was exchanged for either 0.06261 of a share of AbitibiBowater common stock or 0.06261 of an exchangeable share of AbitibiBowater Canada Inc. We retroactively restated all share and share–related information in our consolidated financial statements and notes for the periods preceding the Combination to reflect the Bowater exchange ratio of 0.52.

The consolidated balance sheet as of March 31, 2008, and the related statements of operations, shareholders’ equity and cash flows for the periods ended March 31, 2008 and 2007 are unaudited. In our opinion, all adjustments (consisting of normal recurring adjustments) necessary for fair presentation of the interim financial statements have been made. The results of the interim period ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the consolidated financial statements and related notes and critical accounting estimates included in our Annual Report on Form 10–K/A for the year ended December 31, 2007, filed on March 20, 2008. Certain prior–year amounts in the unaudited consolidated financial statements and the related notes have been reclassified to conform to the 2008 presentation. The reclassifications had no effect on total shareholders’ equity or net loss.

Recently adopted accounting pronouncements

In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 provides a framework for measuring fair value. It applies to other accounting pronouncements that require or permit fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007 as it is applied to financial assets and liabilities and for fiscal years beginning after November 15, 2008 as it is applied to non–financial assets and liabilities. The adoption of SFAS 157 as it relates to our financial assets and liabilities, effective as of January 1, 2008, did not have an impact on our results of operations or financial position. See also note 13, “Financial Instruments.” We continue to evaluate the impact the adoption of SFAS 157 will have on our non–financial assets and liabilities, which will become effective January 1, 2009.

In September 2006, the FASB issued Statement No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (“SFAS 158”). SFAS 158’s measurement date provisions are effective for fiscal years ending after December 15, 2008. A measurement date of September 30, 2007 was used for all of our Bowater plans, while the measurement date for our Abitibi plans was October 29, 2007. SFAS 158 requires us to use a December 31 measurement date. We have elected to use the 15–month transition method to determine the amount of the adjustment to our opening retained deficit balance and opening accumulated other comprehensive loss balance on January 1, 2008, and the adjustment increased our retained deficit by \$6 million, net of taxes of \$2 million, and increased our accumulated other comprehensive loss by \$11 million, net of taxes of \$1 million. The increase to our accumulated other comprehensive loss primarily represents the additional net actuarial loss that arose from our fourth quarter of 2007 settlement and curtailment events.

In February 2007, the FASB issued Statement No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 159 permits an election to measure selected financial assets and liabilities at fair value each financial reporting date with changes in their fair values recorded in income. We chose not to make this fair value accounting election

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ABITIBIBOWATER INC. Notes to Unaudited Consolidated Financial Statements

for any of our financial assets and liabilities. Accordingly, any financial assets and liabilities within the scope of SFAS 159 will continue to be carried at their historical amortized cost basis, adjusted for other than temporary impairments in value. As a result, the adoption of SFAS 159, effective as of January 1, 2008, did not have an impact on our results of operations or financial position.

New accounting pronouncements

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). This Statement changes the disclosure requirements for derivative instruments and hedging activities, requiring us to provide enhanced disclosures about (a) how and why we use derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," and (c) how derivative instruments and related hedged items affect our financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Early application is encouraged.

In April 2008, the FASB issued Staff Position No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets." This new guidance also provides additional disclosure requirements related to recognized intangible assets. This FSP is effective for fiscal years beginning after December 15, 2008. Early adoption is prohibited.

2. Business Combination

As discussed in Note 1, the Combination of Abitibi and Bowater was completed on October 29, 2007. The purchase price of \$1.4 billion was allocated to the identifiable assets acquired and liabilities assumed based on their relative fair values. The purchase price allocation is still preliminary and subject to refinement during the allocation period, which will not last beyond a year from the date of purchase to allow for the finalization of the gathering and review of all pertinent information. No significant adjustments were made to the preliminary purchase price allocation during the first quarter of 2008.

3. Closure Costs and Other Related Charges

Immediately upon the Combination, we began a comprehensive strategic review of our operations to reduce costs and improve our profitability. On November 29, 2007, we announced the results of the initial phase of our comprehensive review, which included a decision to reduce our newsprint and specialty papers production capacity by approximately one million metric tons per year. The reductions included the permanent closure of Bowater's Dalhousie, New Brunswick facility and Abitibi's Belgo, Quebec facility; Fort William, Ontario facility and Lufkin, Texas facility, as well as the indefinite idling of Bowater's Donnacona, Quebec facility and Abitibi's Mackenzie, British Columbia facility, including two sawmills that directly support the Mackenzie paper mill operations. Additionally, we decided to permanently close paper machine no. 3 at Bowater's Gatineau, Quebec facility. The actions were completed in the first quarter of 2008. We recorded charges of \$123 million for long-lived asset impairment, severance and termination costs associated with our Bowater mills in the fourth quarter of 2007. The costs associated with our Abitibi mills were included in liabilities assumed in the Combination.

During the three-month period ended March 31, 2008 we recorded additional closure costs and other related charges of \$10 million primarily for noncancelable contracts at our Bowater Dalhousie and Donnacona operations.

4. Severance Related Liabilities

The activity in our severance related liabilities is as follows:

<i>(Unaudited, in millions)</i>	2008 Initiatives	2007 Initiatives	2006 Initiatives	Total
Balance at December 31, 2007	\$ —	\$ 100	\$ 3	\$ 103
Charges (Credits)	6	2	—	8
Payments	—	(24)	(1)	(25)
Other	—	(4)	—	(4)
Balance at March 31, 2008	\$ 6	\$ 74	\$ 2	\$ 82

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ABITIBIBOWATER INC. Notes to Unaudited Consolidated Financial Statements

In 2008, we recorded employee termination costs primarily associated with downsizings at several of our mills. The remaining severance accrual is expected to be paid out in 2008 and 2009.

In 2007, we recorded employee termination costs primarily associated with the closures announced as a result of our comprehensive strategic review; mill-wide restructurings at our Thunder Bay, Ontario; Gatineau, Quebec; Donnacona, Quebec and Dolbeau, Quebec facilities, the preliminary allocation of the purchase price of Abitibi to severance liabilities assumed in the Combination, lump-sum payouts of pension assets to certain employees and certain changes to our U.S. postretirement benefit plans. These initiatives resulted in the elimination of approximately 428 positions. The remaining severance accrual is expected to be paid out in 2008 and 2009.

We do not allocate employee termination and severance costs to our segments; thus, these costs are included in "Corporate and Other" in our segment information. Termination costs are classified as cost of sales (manufacturing personnel), selling and administrative expenses (administrative personnel) or closure costs, impairment and other related charges (mill closures) in our Consolidated Statements of Operations. The severance accruals are included in "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets.

5. Other Income (Expense), Net

"Other income (expense), net" in the Consolidated Statements of Operations includes the following:

<i>(Unaudited, in millions)</i>	Three Months Ended	
	March 31,	
	2008	2007
Foreign exchange gain (loss)	\$ 41	\$ (3)
Loss from equity method investments	(1)	(2)
Interest income	3	2
Loss on sale of accounts receivable	(5)	—
Miscellaneous loss	(4)	(2)
	\$ 34	\$ (5)

6. Loss Per Share

No adjustments to net loss are necessary to compute net loss per basic and diluted share for all periods presented. Additionally, no adjustments to our basic weighted-average number of common shares outstanding are necessary to compute our diluted weighted-average number of common shares outstanding for all periods presented. Options to purchase 3.8 million and 2.5 million shares for the three months ended March 31, 2008 and March 31, 2007, respectively, were excluded from the calculation of diluted loss per share as the impact would have been anti-dilutive. In addition, 0.2 million and 0.5 million restricted stock units for the three months ended March 31, 2008 and 2007, respectively, were excluded from the calculation of diluted loss per share for the same reason.

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Notes to Unaudited Consolidated Financial Statements**7. Inventories, net**

Inventories, net consist of the following:

<i>(Unaudited, in millions)</i>	March 31, 2008	December 31, 2007
At lower of cost or market:		
Raw materials and work in process	\$ 220	\$ 220
Finished goods	340	355
Mill stores and other supplies	359	345
	919	920
Excess of current cost over LIFO inventory value	(14)	(14)
	\$ 905	\$ 906

8. Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Assets held for sale are comprised of the following:

<i>(Unaudited, in millions)</i>	March 31, 2008	December 31, 2007
Accounts receivable	\$ 1	\$ 2
Inventories	16	15
Other current assets	1	–
Timber and timberlands	15	8
Fixed assets, net	163	159
Investment in hydroelectric assets	21	–
	\$ 217	\$ 184

Liabilities associated with assets held for sale are comprised of the following:

<i>(Unaudited, in millions)</i>	March 31, 2008	December 31, 2007
Accounts payable and accrued liabilities	\$ 23	\$ 17
Other long-term liabilities	2	2
	\$ 25	\$ 19

At December 31, 2007, we held our Snowflake paper mill, Price sawmill and some of our timberlands in the United States and Canada for sale. On March 23, 2008, we sold our Price sawmill to Groupe Lebel (2004) Inc. for approximately \$5 million, resulting in a gain of \$2 million. During the three months ended March 31, 2008, we sold approximately 14,916 acres of timberlands and other assets for proceeds of approximately \$24 million, resulting in a net gain on disposition of assets of \$21 million. In connection with the review and approval of the Combination by the antitrust division of the U.S. Department of Justice (“DOJ”), we agreed, among other things, to sell our Snowflake, Arizona newsprint mill, which is included in our Newsprint segment, and certain related assets and liabilities. On April 10, 2008, we completed the sale of Abitibi’s Snowflake mill to a subsidiary of Catalyst Paper Corporation for approximately \$161 million. This sale was approved by the DOJ.

At March 31, 2008, in addition to our Snowflake mill, we held our Fort William, Ontario facility, an investment we have in a hydroelectric facility and some of our timberlands in the United States and Canada for sale. We plan to complete the sale of these assets in 2008 for an amount that exceeds their individual carrying values. The assets and liabilities held for sale are carried on our Consolidated Balance Sheets at the lower of carrying value or fair value less costs to sell.

In April 2008, we decided to sell and began marketing our Mokpo, Korea newsprint facility for sale. The related assets and liabilities will be included in assets held for sale beginning in the second quarter of 2008. The mill is expected to be sold for an amount that exceeds its carrying value.

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Notes to Unaudited Consolidated Financial Statements**9. Pension and Other Postretirement Expense**

The components of net periodic benefit costs relating to our pension and other postretirement benefits plans (“OPEB plans”) are as follows for the three months ended March 31, 2008 and 2007:

(Unaudited, in millions)	Pension Plans Three Months Ended March 31,		Other Postretirement Plans Three Months Ended March 31,	
	2008	2007	2008	2007
Components of net periodic benefit cost:				
Service cost	\$ 19	\$ 9	\$ 1	\$ –
Interest cost	89	30	6	3
Expected return on plan assets	(102)	(32)	–	–
Amortization of prior service cost (credit)	1	1	(3)	(3)
Recognized net actuarial loss	2	7	1	2
Curtailments and settlements	–	5	–	(3)
Net periodic benefit cost (credit)	\$ 9	\$ 20	\$ 5	\$ (1)

Events Impacting Net Periodic Benefit Cost for the Three months Ended March 31, 2007

In December 2006, certain employees received lump-sum payouts from two of our retirement pension plans. Accordingly, we recorded settlement losses of \$5 million in the first quarter of 2007.

In October 2006, we approved changes to the other postretirement plan for our U.S. salaried employees. Benefits for employees were either eliminated or reduced depending on whether the employee met certain age and years of service criteria. As a result, we recorded a curtailment gain of \$3 million in the first quarter of 2007.

10. Liquidity and Debt

As of March 31, 2008, our total liquidity was comprised of liquidity from our Abitibi and Bowater subsidiaries.

As described in Notes 4 and 17 to our audited consolidated financial statements included in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, our Abitibi subsidiary was experiencing a liquidity shortfall and facing significant near-term liquidity challenges. As a result of these liquidity issues, we had concluded at December 31, 2007 that there was substantial doubt about Abitibi’s ability to continue as a going concern. As of March 31, 2008, Abitibi had a total of \$346 million of long-term debt maturing in 2008: \$196 million principal amount of its 6.95% Senior Notes due April 1, 2008 and \$150 million principal amount of its 5.25% Senior Notes due June 20, 2008. Additionally, Abitibi had revolving bank credit facilities with commitments totalling \$692 million maturing in the fourth quarter of 2008. These amounts were successfully refinanced on April 1, 2008. See *Refinancing* section below for a discussion of the financing transactions completed. While our April 1 refinancing has alleviated the substantial doubt about Abitibi’s ability to continue as a going concern, significant financial uncertainties remain for Abitibi to overcome including, but not limited to, Abitibi’s ability to repay or to refinance the \$350 million 364-day term facility due on March 30, 2009, to service the considerable debt resulting from the April 1 refinancings and to overcome their expected ongoing net losses and negative cash flows.

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ABITIBIBOWATER INC. Notes to Unaudited Consolidated Financial Statements

Refinancing

On April 1, 2008 AbitibiBowater successfully completed a series of financing transactions designed to address these upcoming debt maturities and general liquidity needs, principally at its Abitibi subsidiary. The transactions included:

- A private placement, by ACCC of \$413 million of 13.75% senior secured notes due 2011 (“2011 Notes”). The senior secured notes are guaranteed by Abitibi and certain of its subsidiaries, and are secured by mortgages on certain pulp and paper mills owned by, and security interests in and pledges of certain other assets of, ACCC and the guarantors.
- A \$400 million 364-day senior secured term loan (“Term Loan”) to ACCC, with interest at LIBOR + 800 basis points, with a 3.5% LIBOR floor. ACCC is required to repay \$50 million of the Term Loan with certain proceeds from the sale of our Snowflake, Arizona newsprint mill (see note 8 “Assets Held for Sale and Liabilities Associated with Assets Held for Sale”). The senior secured term loan is secured primarily by the personal property (including accounts receivable and inventory, but excluding equipment, intellectual property and capital stock of subsidiaries) of ACCC, Abitibi and other guarantors, and by a first lien on substantially all of the assets of Donohue Corp., a direct subsidiary of AbitibiBowater (“D Corp.”), and D Corp’s subsidiaries, including fixed assets and certain other assets. The Term Loan ranks effectively senior to the 2011 Notes to the extent of the collateral securing the Term Loan.
- A private exchange offer whereby ACCC exchanged a combination of new senior unsecured notes and cash for an aggregate of a \$455 million of outstanding notes issued by Abitibi, ACCC and Abitibi–Consolidated Finance L.P. (“ACF”), a wholly–owned subsidiary of Abitibi. The exchange included a combination of cash and new 15.5% unsecured notes, due 2010, issued by ACCC for three series of outstanding notes: (i) \$175 million principal amount of 6.95% senior notes due April 1, 2008, issued by Abitibi, (ii) \$138 million principal amount of 5.25% senior notes due June 20, 2008, issued by ACCC, and (iii) \$142 million principal amount of 7.875% senior notes due August 1, 2009, issued by ACF. We expect this debt exchange transaction to result in an extinguishment gain during the second quarter of 2008 of approximately \$30 million.
- Simultaneously with these transactions, AbitibiBowater consummated the sale of a private placement of \$350 million of 8% convertible notes due 2013 (“Convertible Notes”) to Fairfax Financial Holdings Limited (“Fairfax”) and certain of its designated subsidiaries. The Convertible Notes bear interest at a rate of 8% per annum (10% per annum if we elect to pay interest through the issuance of additional convertible notes as “pay in kind”). Bowater provided a full and unconditional guarantee of the payment of principal and interest, and premium, if any, on the debentures. Bowater’s guarantee ranks equally in right of payment with all of our existing and future senior indebtedness. The Convertible Notes are not guaranteed by Abitibi or any of its respective subsidiaries. The Convertible Notes are convertible into shares of AbitibiBowater common stock at an initial conversion price of \$10.00 per share. On April 15, 2008, Fairfax exercised its right to appoint the two directors to the Board of AbitibiBowater, pursuant to the terms of the purchase agreement.

As a result of the refinancings and the repayment and cancellation of the Abitibi credit facilities, Abitibi is no longer subject to financial covenants on its recourse debt.

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ABITIBIBOWATER INC. Notes to Unaudited Consolidated Financial Statements

Short-term Debt

Abitibi and Bowater each maintain separate bank credit facilities. As of March 31, 2008, our available borrowings under such bank credit facilities were as follows:

<i>(Unaudited, in millions)</i>	Commitment	Amount Outstanding	Commitment Available⁽¹⁾	Termination Date	Weighted Average Interest Rate⁽²⁾
Abitibi:					
Credit facilities ⁽³⁾	\$ 692	\$ 615	\$ 3	11/08 & 12/08	7.4%
Bowater:					
U.S. credit facility	415	240	84	05/11	6.8%
Canadian credit facility	165	39	94	05/08	7.0%
	\$ 1,272	\$ 894	\$ 181		

(1) The commitment available under each of these revolving bank credit facilities is subject to collateral requirements and covenant restrictions as described below or in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, and is reduced by outstanding letters of credit of \$69 million for the Bowater U.S. credit facility, \$32 million for the Bowater Canadian credit facility and \$74 million for the Abitibi credit facility, while commitment fees for unused portions are 50, 25, and 70 basis points, respectively.

(2) Borrowings under the Abitibi and Bowater bank credit facilities incur interest based, at our option, on specified market interest rates plus a margin.

(3) The Abitibi credit facility was repaid and cancelled on April 1, 2008 as discussed above.

Bowater's U.S. credit agreement is guaranteed by certain of our wholly-owned subsidiaries in the United States, and is secured by (i) liens on the inventory, accounts receivable and deposit accounts of Bowater and the guarantors (ii) pledges of 65% of the stock of certain of our foreign subsidiaries, and (iii) pledges of the stock of our U.S. subsidiaries that do not own mills or converting facilities. Availability under the U.S. credit facility is limited to 75% of the net consolidated book value of our accounts receivable and inventory, excluding BCFPI and its subsidiaries.

Bowater's Canadian credit agreement is secured by liens on the inventory, accounts receivable and deposit accounts of Bowater Canadian Forest Products Inc. ("BCFPI"). Availability under the Canadian credit facility is limited to 60% of the net book value of the accounts receivable and inventory of BCFPI and its subsidiaries. We believe that this credit agreement will be extended or a similar agreement entered into given the fact that the agreement is secured by liens on the inventory, accounts receivable and deposit accounts of BCFPI.

Amendments to Bank Credit Facilities

On March 31, 2008, AbitibiBowater, Bowater and Bowater's subsidiaries entered into amendments to its U.S. and Canadian bank credit facilities which principally (i) withdraws the requirement that was included in the February 25, 2008 amendment disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, that Bowater move the Catawba, South Carolina mill assets into the Catawba Subsidiary, (ii) requires Bowater to transfer the stock in subsidiaries owning the Coosa Pines and Grenada mill assets to AbitibiBowater, and grant such lenders first-ranking mortgages on such assets, and (iii) requires AbitibiBowater to provide an unsecured guarantee of obligations under our Bowater U.S. Credit Facility.

On April 30, 2008, Bowater and Bowater's subsidiaries entered into further amendments to its U.S. and Canadian bank credit facilities which principally extended the dates for (1) granting the lenders first-ranking mortgages on the Coosa Pines and Grenada mill assets from April 30, 2008 to May 15, 2008, and (2) delivering other related documentation to the lenders from April 30, 2008 to various dates between May 22, 2008 and June 30, 2008. We fully anticipate meeting these commitments.

Our Bowater U.S. Credit facility permits Bowater to send distributions to AbitibiBowater to service interest on AbitibiBowater's convertible debt provided that no default exists under this facility at the time of such payment and we are in pro forma compliance with this facility's financial covenants at the time of such payment. The lenders under our credit facilities have implemented a more traditional, more restrictive borrowing base, using more extensive eligibility criteria and imposing additional reporting obligations on us. We are not obligated to comply with the additional reporting requirements or the more restrictive borrowing base requirements until November 15, 2008.

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ABITIBIBOWATER INC. Notes to Unaudited Consolidated Financial Statements

In addition to the limitations discussed above, Bowater may make dividends and distributions to AbitibiBowater sufficient to pay (1) taxes attributable to Bowater and its subsidiaries, (2) up to \$75 million in aggregate annual dividends to the holders of common stock and exchangeable shares, and (3) up to \$10 million more than 50% of certain AbitibiBowater's annual overhead expenses, such as accounting and auditing costs, director fees, director and officer insurance premiums, franchise taxes, transfer agent fees, and legal and other expenses connected to AbitibiBowater's status as a public company. Overhead expenses do not include management fees, salaries, bonuses, or debt service.

Abitibi and Bowater and their subsidiaries may also, from time to time, subject to any applicable restrictions contained in any indebtedness documents, enter into transactions with related parties, including AbitibiBowater for management and other services (such as IT, environmental, human resources and legal services) and inter-company advances, loans and investments, intercompany product sales and purchases.

Considering the amendments to the Bowater credit facilities, we expect to be in compliance through March 31, 2009.

11. Income Taxes

The income tax provision attributable to loss before income taxes and minority interests differs from the amounts computed by applying the United States federal statutory income tax rate of 35% as a result of the following:

<i>(Unaudited, in millions)</i>	Three Months Ended March 31,	
	2008	2007
Loss before income taxes and minority interest	\$ (244)	\$ (27)
Expected income tax benefit	85	9
Increase (decrease) in income taxes resulting from:		
Valuation allowance ⁽¹⁾	(93)	(13)
Foreign exchange	29	(1)
State income taxes, net of federal income tax benefit	(1)	—
Foreign taxes	(14)	1
Tax Reserves	(6)	—
Other, net	(3)	3
Income tax provision	\$ (3)	\$ (1)

(1) During the first quarter of 2008 and 2007, income tax benefits of approximately \$93 million and \$13 million generated on our current quarter Canadian operating losses were entirely offset by tax charges to increase our valuation allowance related to these tax benefits. Additionally, any income tax benefit recorded on any future operating losses generated in these Canadian operations will probably be offset by additional increases to the valuation allowance (tax charge).

ABITIBIBOWATER INC.
Notes to Unaudited Consolidated Financial Statements

12. Accumulated Other Comprehensive Loss

The components of “Accumulated other comprehensive loss” in the Consolidated Balance Sheets are as follows:

<i>(Unaudited, in millions)</i>	March 31, 2008	December 31, 2007
Unamortized prior service costs ⁽¹⁾	\$ 1	\$ –
Unamortized actuarial gains and losses ⁽²⁾	(148)	(135)
Foreign currency translation ⁽³⁾	(18)	1
Unrecognized losses on hedging transactions ⁽⁴⁾	(8)	(10)
	\$ (173)	\$ (144)

- (1) As of March 31, 2008 and December 31, 2007, net of deferred tax provision of \$14 million and \$13 million, respectively. Net of minority interest of \$2 million as of March 31, 2008 and December 31, 2007.
- (2) As of March 31, 2008 and December 31, 2007, net of deferred tax benefit of \$67 million for both periods.
- (3) No tax effect is recorded for foreign currency translation since the foreign net assets translated are deemed indefinitely invested.
- (4) As of March 31, 2008 and December 31, 2007, net of deferred tax benefit of \$6 million and \$5 million, respectively.

13. Financial Instruments

We utilize certain derivative instruments to enhance our ability to manage risk relating to cash flow exposures. Derivative instruments are entered into for periods consistent with related underlying cash flow exposures and do not constitute positions independent of those exposures. We do not enter into contracts for speculative purposes; however, we do, from time to time enter into interest rate, commodity and currency derivative contracts that are not accounted for as accounting hedges. Counterparty risk is limited to institutions with long-term debt ratings of A or better for North American financial institutions or ratings of AA or better for international institutions.

Please refer to our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, for a description of the derivative financial instruments we use.

The fair value of our derivative instruments is determined based on the fair value hierarchy provided in SFAS 157, which requires the use of observable inputs whenever available. In addition, we consider the risk of non-performance of the obligor, which in some cases reflects our own credit risk, in determining the fair value of our derivative instruments. The fair value hierarchy is as follows:

Level 1– Valuations based on quoted prices in active markets for identical assets and liabilities.

Level 2– Valuations based on observable inputs, other than Level 1 prices, such as quoted interest or currency exchange rates.

Level 3– Valuations based on significant unobservable inputs that are supported by little or no market activity, such as discounted cash flow methodologies based on internal cash flow forecasts.

Information regarding our outstanding derivative financial instruments is summarized in the table below. The notional amount of these contracts represents the amount of foreign currencies or natural gas to be purchased or sold at maturity or the principal amount used to calculate the amount of periodic payments and does not represent our exposure on these contracts.

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	<u>Notional</u> <u>Amount of</u> <u>Derivatives</u>	<u>Net Asset/ (Liability)</u> <u>Fair</u> <u>Market Value</u>	<u>SFAS 157</u> <u>Valuation</u> <u>Hierarchy*</u>	<u>Range Of</u> <u>Natural Gas</u> <u>Index Prices,</u> <u>Interest Rates and</u> <u>Exchange Rates</u> <u>per US\$</u>
<i>(Unaudited, in million except rates and prices)</i>				
As of March 31, 2008:				
Foreign Currency Exchange Agreements:				
Buy Canadian dollars due in 2008	\$ 40	\$ 2	Level 1	\$ 1.008 – 1.061
Sell Canadian dollars due in 2008	40	–	Level 1	1.011 – 1.080
Sell Euros due in 2008	60	(3)	Level 1	.6535 – .6800
Sell British pound sterling due in 2008	20	–	Level 1	.5034 – .5096
Natural Gas Swap Agreements:				
Due in 2008	3	1	Level 2	6.632 – 8.558
Due in 2009	–	–	Level 2	7.570 – 9.560
Receive Fixed Rate Interest Rate Swaps	850	13	Level 2	2.53% – 4.73%
As of December 31, 2007:				
Foreign Currency Exchange Agreements:				
Buy Canadian dollars due in 2008	\$ 70	\$ 6	n/a	\$ 1.048 – 1.199
Sell Canadian dollars due in 2008	70	(1)	n/a	1.004 – 1.199
Natural Gas Swap Agreements due in 2008	6	–	n/a	6.56 – 9.87
Receive Fixed Rate Interest Rate Swaps	850	(4)	n/a	2.53% – 4.73%

* We adopted SFAS 157 effective January 1, 2008. At December 31, 2007, the fair value of our derivative financial instruments was based on current termination values or quoted market prices of comparable contracts. The fair value of our derivative instruments was calculated using similar information, except that the values have been adjusted for the risk of non-performance of the obligor in the contract. The change in fair value of our derivative instruments as of January 1, 2008 as a result of adopting SFAS 157 was inconsequential.

The counterparties to our derivative financial instruments are substantial and creditworthy multi-national financial institutions. We have entered into master netting agreements with those counterparties that provide that in the event of default, any amounts due to or from a counterparty will be offset. The risk of counterparty nonperformance is considered to be remote.

The components of the cash flow hedges included in "Accumulated other comprehensive loss" are as follows:

	<u>Three Months Ended</u> <u>March 31</u>	
	<u>2008</u>	<u>2007</u>
<i>(Unaudited, in millions)</i>		
Losses reclassified on matured cash flow hedges	\$ 6	\$ 1
Unrecognized losses for change in value on outstanding cash flow hedging instruments	(3)	–
	3	1
Income tax provision	(1)	–
Net decrease in "Accumulated other comprehensive loss"	\$ 2	\$ 1

We expect to reclassify losses of \$11 million (\$8 million, net of tax) from "Accumulated other comprehensive loss" to the Consolidated Statements of Operations during the next twelve months as the hedged forecasted transactions occur.

ABITIBIBOWATER INC.
Notes to Unaudited Consolidated Financial Statements

14. Commitments and Contingencies

We are involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims and other matters. We periodically review the status of these proceedings with both inside and outside counsel. Although the final outcome of any of these matters is subject to many variables and cannot be predicted with any degree of certainty, we establish reserves for a matter when we believe an adverse outcome is probable and the amount can be reasonably estimated. We believe that the ultimate disposition of these matters will not have a material adverse effect on our financial condition, but it could have a material adverse effect on the results of operations in any given quarter or year. On June 18, 2007, The Levin Group, L.P. filed a complaint against Bowater in the Supreme Court of New York, New York County, asserting claims for breach of contract and related claims relating to certain advisory services purported to have been provided by the plaintiff in connection with the Combination. This complaint was dismissed and the matter is now before the Court of Common Pleas in Greenville County, South Carolina, where the parties are currently involved in the initial stages of the litigation, including discovery and the maintaining of various procedural motions. The Levin Group seeks damages of no less than \$70 million, related costs and such other relief as the court deems just and proper. We believe this claim is entirely without merit and intend to continue to contest this matter vigorously.

Since late 2001, Bowater, several other paper companies, and numerous other companies have been named as defendants in asbestos personal injury actions. These actions generally allege occupational exposure to numerous products. We have denied the allegations and no specific product of ours has been identified by the plaintiffs in any of the actions as having caused or contributed to any individual plaintiff's alleged asbestos-related injury. These suits have been filed by approximately 1,800 claimants who sought monetary damages in civil actions pending in state courts in Delaware, Georgia, Illinois, Mississippi, Missouri, New York, Tennessee, and Texas. Approximately 1,000 of these claims have been dismissed, either voluntarily or by summary judgment, and approximately 800 claims remain. Insurers are defending these claims and we believe that all of these asbestos-related claims are covered by insurance, subject to any applicable deductibles and our insurers' rights to dispute coverage. While it is not possible to predict with certainty the outcome of these matters, we do not expect these claims to have a material adverse impact on our business, financial position or results of operations. There have been no other material developments to the legal proceedings described in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008.

15. Off-Balance Sheet Debt Guarantees

In connection with Bowater's 1999 land sale and note monetization, we guarantee 25% of the outstanding investor notes principal balance of Timber Note Holdings LLC, one of our Qualified Special Purpose Entities (QSPEs). Bowater guarantees approximately \$6 million of the investor notes' principal balance at March 31, 2008. This guarantee is proportionately reduced by annual principal repayments on the investor notes (annual minimum repayments of \$2.0 million) through 2008. The remaining investor notes' principal amount is to be repaid in 2009. Timber Note Holdings LLC has assets of approximately \$29 million and obligations of approximately \$25 million, which include the investor notes. Bowater would be required to perform on the guarantee if the QSPE were to default on the investor notes or if there were a default on the notes receivable, neither of which has ever occurred.

16. Segment Information

We manage our business based on the products that we manufacture and sell to external customers. Our reportable segments are newsprint, coated papers, specialty papers, market pulp and wood products.

None of the income or loss items following "Operating (loss) income" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, employee termination costs, gains on dispositions of assets and other discretionary charges or credits are not allocated to the segments. Share-based compensation expense is, however, allocated to our segments. We also allocate depreciation expense to our segments, although the related fixed assets are not allocated to segment assets.

The following tables summarize information about segment operating income (loss) for the three months ended March 31, 2008 and 2007:

<i>(Unaudited, in millions)</i>		Newsprint	Coated Papers	Specialty Papers	Market Pulp	Wood Products	Corporate and Other	Consolidated Total
Sales								
First quarter	2008	\$ 809	\$ 169	\$ 459	\$ 168	\$ 123	\$ —	\$ 1,728
First quarter	2007	303	129	141	133	63	3	772
Operating income (loss)⁽¹⁾								
First quarter	2008	\$ (69)	\$ 34	\$ (39)	\$ 31	\$ (35)	\$ (71)	\$ (149)
First quarter	2007	(5)	9	(8)	19	(14)	24	25

(1) "Corporate and Other" operating (loss) income includes net gain from disposition of assets of \$23 million and \$58 million for the three months ended March 31, 2008 and 2007, respectively, employee termination costs of \$8 million for the three months ended March 31, 2008 and closure and other related costs of \$10 million for the three months ended March 31, 2008.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statements Regarding Forward-Looking Information and Use of Third Party Data

The following management's discussion and analysis of financial condition and results of operations ("MD&A") provides information that we believe is useful in understanding our operating results, cash flows and financial condition for the three months ended March 31, 2008. The discussion should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and related notes appearing in Item 1 of this Form 10-Q. As discussed in more detail in Note 1 to the Consolidated Financial Statements, on October 29, 2007, Bowater and Abitibi combined in a merger of equals under a newly formed holding company, AbitibiBowater (the "Combination"). Bowater is deemed to be the "acquirer" of Abitibi for accounting purposes; therefore, the financial information and discussion below reflect the results of operations and financial position of Bowater for the periods before the closing of the Combination and those of both Abitibi and Bowater for periods beginning on or after the closing of the Combination. This means that our unaudited Consolidated Financial Statements, including related notes, reflect the operations and financial position of both Abitibi and Bowater as of March 31, 2008 and December 31, 2007 and for the three-month period ended March 31, 2008 and those of Bowater for the three-month period ended March 31, 2007. All share and share-related information has been restated for all periods presented prior to the Combination to reflect the Bowater exchange ratio of 0.52 per share.

Statements in this report that are not reported financial results or other historical information are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements relating to our refinancing activities, our plans to achieve operational improvements and efficiencies such as the planned reduction of newsprint and coated and specialty paper capacity, the closures of certain of our paper and sawmills, our ability to realize synergies from the combination of Abitibi and Bowater, the anticipated timing and progress of integration efforts related to the combination, our ability to meet our \$1 billion debt reduction target (including the success of our program to sell non-core assets, consolidate operations and the success of other actions aimed at reducing our debt), our ability to maintain and improve customer service levels, and our assessment of market conditions, anticipated future financial performance and our business outlook generally. Forward-looking statements may be identified by the use of forward-looking terminology such as the words "will," "could," "may," "expect," "believe," "anticipate," and other terms with similar meaning indicating possible future events or potential impact on the business or shareholders of AbitibiBowater.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management's current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to, our ability to obtain financing or otherwise derive additional liquidity when needed in a timely fashion and on terms acceptable to the Company, if at all, our ability to reduce newsprint and specialty papers capacity as quickly as anticipated, our ability to obtain timely contributions to our cost reduction initiatives from our unionized and salaried employees, the continued strength of the Canadian dollar against the U.S. dollar, industry conditions generally and further growth in alternative media, actions of competitors, the demand for higher margin coated and uncoated mechanical paper, our ability to realize announced price increases, and the costs of raw materials such as energy, chemicals and fiber. In addition, with respect to forward-looking statements relating to the combination of Abitibi and Bowater, the following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: the risk that the businesses will not be integrated successfully or that the improved financial performance, product quality and product development will not be achieved; the risk that other combinations within the industry or other factors may limit our ability to improve our competitive position; the risk that the cost savings and other expected synergies from the combination may not be fully realized or may take longer to realize than expected; and disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers. Additional risks that could cause actual results to differ from forward-looking statements are enumerated in Item 1A. "Risk Factors" in Part II of this Form 10-Q. All forward-looking statements in this report are expressly qualified by information contained in this report and in the Company's other filings with the SEC and the Canadian securities regulatory authorities. AbitibiBowater disclaims any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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Information about industry or general economic conditions contained in this report is derived from third party sources (i.e., the Pulp and Paper Products Council; RISI, Inc.; and certain trade publications) that we believe are widely accepted and accurate; however, we have not independently verified this information and cannot provide assurances of its accuracy.

Accounting Policies and Estimates

The following discussion and analysis provides information that we believe is useful in understanding our operating results, cash flows and financial condition in our Unaudited Consolidated Financial Statements included in this quarterly report. Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008.

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates, assumptions and judgments and rely on projections of future results of operations and cash flows. We base our estimates and assumptions on historical data and other assumptions that we believe are reasonable under the circumstances. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities in our financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period.

Our judgments are based on our assessment as to the effect certain estimates, assumptions of future trends or events may have on the financial condition and results of operations reported in our Consolidated Financial Statements. It is important that the reader of our financial statements understand that actual results could differ materially from these estimates, assumptions, projections and judgments.

Overview of Financial Performance

Through our subsidiaries, we manufacture newsprint, coated and specialty papers, market pulp and wood products, operating pulp and paper facilities and wood products facilities in Canada, the United States, the United Kingdom and South Korea. Our reportable segments, which correspond to our primary product lines, are newsprint, coated papers, specialty papers, market pulp and wood products.

Our net loss for the first quarter of 2008 was \$248 million, or \$4.32 per diluted share, as compared to a net loss of \$250 million, or \$5.09 per diluted share for the fourth quarter of 2007 and a net loss of \$35 million, or \$1.19 per diluted share, for the first quarter of 2007.

Our sales in the first quarter of 2008 were \$1.7 billion, an increase of \$956 million from the first quarter of 2007, primarily due to the inclusion of Abitibi's operating results. Excluding sales of \$906 million attributable to Abitibi, sales for the first quarter of 2008 amounted to \$822 million, an increase of \$50 million, or 6.5%, from the first quarter of 2007. Transaction prices for newsprint, coated papers, specialty papers and market pulp are higher than the first quarter of 2007 and the fourth quarter of 2007. Lumber prices in the first quarter of 2008 were higher than the first quarter of 2007, although slightly lower than the fourth quarter of 2007. Excluding Abitibi's shipments for the first quarter of 2008, on a comparable basis to the first quarter of 2007, coated papers and specialty papers shipments were higher, while newsprint and market pulp shipments were flat and lumber shipments lower. Abitibi's shipments of newsprint and specialty papers were higher compared to the first quarter of 2007, while lumber shipments were lower.

In our Newsprint segment, North American newsprint consumption continued to decline, but we are taking advantage of the stronger global markets by exporting more newsprint from North America into areas where market conditions are stronger. The supply-demand balance for coated mechanical papers continued to improve in the first quarter of 2008. In specialty papers, excluding the impact of Abitibi's operating results following the Combination, we realized approximately a 2.0% increase in shipments in the first quarter of 2008, as we continue to shift machine capacity from newsprint to specialty papers. The increase in global demand for market pulp during the first quarter of 2008 was from offshore markets, particularly China. The market pulp market was also impacted by supply constraints in some markets and a weak U.S. dollar. Higher transaction prices for market pulp helped drive an increase in pulp sales in the first quarter of 2008. Our Wood Products segment continues to be negatively impacted by a weaker U.S. housing market and lower demand.

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Our operating loss in the first quarter of 2008 was \$149 million, an improvement from an operating loss of \$358 million in the fourth quarter of 2007. Our loss by segment (newsprint, coated papers, specialty papers, market pulp and wood products) improved by approximately \$80 million compared to the fourth quarter of 2007, driven by higher transaction prices per ton in our newsprint, coated papers, specialty papers and market pulp segments, partially offset by lower costs per ton in our coated papers, specialty papers and wood products segments.

The discussion of comparative historical financial information that follows in this “Overview of Financial Performance” section includes the combined operating results of Abitibi and Bowater for the first quarter of 2008, but only Bowater results in the first quarter of 2007 as the Combination was completed on October 29, 2007, and Bowater was deemed to be the acquirer for accounting purposes.

Business Strategy and Outlook

In our first full quarter as a combined company, we have taken major steps to create a stronger and a more efficient manufacturing platform that we believe will better enable us to address the challenges created by newsprint demand declines in North America. We continue to focus on our goal to create a low-cost, financially disciplined organization with a stronger financial profile that is focused on migrating to value-added products and growth markets. We are executing our business strategy to successfully achieve this goal, the result of which we believe will be a more dynamic and competitive organization better able to meet the needs of our customers and challenges of the marketplace while delivering significant value to our shareholders. During the first quarter of 2008, we completed the implementation of the first phase of our company-wide strategic review which reduced our newsprint and specialty papers production capacity by almost 1 million metric tons per year. The reductions included the permanent closure of the Belgo (Shawinigan, Quebec) and Dalhousie (New Brunswick) mills, as well as the indefinite idling of the Donnacona (Quebec) and Mackenzie (British Columbia) mills. We also indefinitely idled two sawmills that directly support the Mackenzie paper operation. These facilities in the aggregate represented capacity of approximately 600,000 metric tons of newsprint, 400,000 metric tons of specialty papers, and 500 million board feet of lumber, and were all cash flow negative. Additionally, we permanently closed previously idled paper mills at Fort William (Thunder Bay, Ontario) and Lufkin (Texas), as well as the No. 3 paper machine at the Gatineau (Quebec) facility. The previously idled operations had a total capacity of approximately 650,000 metric tons. As previously announced, during the implementation of the action plan generated during the first phase of our strategic review, we have simultaneously been working on phase two, which includes a comprehensive review of all aspects of our business in an effort to further reduce costs, improve our manufacturing platform and better position the Company in the global marketplace. We recently announced the actions to be taken as a result of the second phase of our company-wide strategic review and other announcements including:

- North American newsprint consumption continues to decline, however, business fundamentals have improved. Given the context and our continued dialogue with stakeholders at several manufacturing sites, additional production closure decisions have not been taken. We will continue to evaluate further action as the year progresses.
- Focus on the largest components of our combined business: newsprint, coated papers and specialty papers.
- Grow our international presence in newsprint. In 2007, the combined company exported approximately 1.6 million tons from North America. We intend to increase our export shipments in 2008 by about 10%.
- Restart of a specialty machine at our Dolbeau, Quebec facility in February, to significantly improve the site’s cost structure.
- The idling of nearly 50% of our lumber production and the consolidation of certain of our lumber operations in Eastern Canada.
- Increase in our target asset sales to \$750 million by the end of 2009 including the sale of our Mokpo, South Korea paper mill, as well as additional sales including forest lands, sawmills, hydroelectric sites and other assets.

From a financial perspective, improving liquidity and reducing debt continue to be top priorities going forward. As of March 31, 2008, our total liquidity is comprised of liquidity at our Abitibi and Bowater subsidiaries. See the “Liquidity and Capital Resources” section for discussion of our Bowater and Abitibi bank credit facilities and liquidity. On April 1, 2008 AbitibiBowater successfully completed a series of financing transactions designed to address near-term debt maturities and general liquidity needs, at its Abitibi subsidiary. The transactions included:

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- \$413 million senior secured notes.
- \$400 million 364-day senior secured term loan. We were required to repay \$50 million of the term loan with proceeds from the sale of our Snowflake, Arizona newsprint mill (discussed below).
- \$455 million unsecured notes.
- \$350 million convertible notes.

For additional information concerning these financing transactions, reference is made to the section entitled, "Liquidity and Debt — Refinancing." At March 31, 2008, we had cash on hand of approximately \$292 million (\$130 million for Bowater and \$162 million for Abitibi).

Our availability under the Bowater U.S. bank credit facility was \$84 million at March 31, 2008. Bowater's Canadian credit facility, which has a commitment available of \$94 million, matures on May 31, 2008. We are currently negotiating the renewal of this Canadian credit facility. The Bowater Canadian credit agreement is secured by liens on the inventory, accounts receivable and deposit accounts of Bowater Canadian Forest Products Inc. ("BCFPI"). We believe that this credit agreement will be extended, but cannot assume that such extension will be obtained. Bowater's next significant maturity of long-term debt is its \$248 million, 9% debentures due in August 2009.

Abitibi's credit facilities were paid off and terminated in connection with the April 1, 2008 refinancing transactions. Abitibi received net proceeds of \$217 million from the refinancing transactions excluding net proceeds from the sale of Snowflake and from cash held as collateral for late tenders. Approximately \$74 million of this cash is restricted as collateralization of various letters of credit issued by financial institutions. As a result of the refinancing transactions and the repayment and cancellation of the Abitibi credit facilities, Abitibi is no longer subject to financial covenants on its recourse debt. Abitibi's next significant maturity of debt is its \$350 million, 364-day senior secured term loan due March 30, 2009.

We are making progress on achieving our targeted synergies as a result of the Combination and expect to generate annualized synergies of approximately \$375 million by the end of 2009. At the end of the first quarter 2008, we had achieved an annual run rate of approximately \$180 million in captured synergies. We will seek to implement additional measures as we enhance our operating efficiency and productivity through continual systems analyses and operational improvements. We believe that the synergies resulting from the Combination and these additional measures will enhance our ability to further decrease production costs per ton and to increase operating cash flow and margins. We expect these synergies to be achieved from improved efficiencies in such areas as production, selling and administrative expenses, procurement and logistics costs.

We have established an aggressive goal of reducing our debt by \$1 billion within the next three years. We have increased our target for asset sales from approximately \$500 million to \$750 million by the end of 2009, which includes non-core facilities, U.S. timberlands, hydroelectric sites, the sale of our newsprint mill in Snowflake, Arizona and the sale of our Mokpo, South Korea paper mill. As part of this debt reduction initiative, we will continue to review non-core assets and seek to divest those that no longer fit within our long-term strategic business plan.

Because we recognize that cash preservation is critical, we will continue to take a disciplined approach to capital spending and expect that total capital spending will be in the range of \$150 million to \$200 million during 2008, which is significantly below depreciation.

We have successfully implemented each of the announced newsprint price increases between November of last year and May of this year. We are currently implementing announced second quarter price increases in certain of our product lines. Our financial performance improved in the first quarter of 2008 compared to the fourth quarter of 2007 and we expect further improvement in the second quarter of 2008. We believe that the combination of recently announced price improvements, continued integration efforts, implementation of actions resulting from both phases of our strategic review, and further progress toward achievement of our synergy targets will result in material improvements throughout the balance of the year.

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ABITIBIBOWATER INC.

**Business and Financial Review
Consolidated Results of Operations**

<i>(Unaudited, in millions)</i>	Three Months Ended March 31		
	2008	2007	Change
Sales	\$ 1,728	\$ 772	\$ 956
Operating (loss) income	(149)	25	(174)
Net loss	(248)	(35)	(213)
Net loss per share – basic and diluted	(4.32)	(1.19)	(3.13)
Significant items that improved (lowered) operating income:			
Sales – Bowater			50
Sales – Abitibi			906
Change in sales			956
Manufacturing costs – Bowater			(27)
Manufacturing costs – Abitibi			(886)
Change in total manufacturing costs and depreciation, amortization, and cost of timber harvested			(913)
Distribution costs – Bowater			(8)
Distribution costs – Abitibi			(116)
Change in distribution costs			(124)
Change in selling and administrative expenses			(48)
Closure costs, impairment and other related charges			(10)
Change in net gains on disposition of assets			(35)
			\$ (174)

Three months ended March 31, 2008 versus March 31, 2007

Sales
Sales increased in the first quarter of 2008 as compared to the first quarter of 2007 by \$956 million primarily due to inclusion of Abitibi's results. Excluding sales attributable to Abitibi of approximately \$906 million, sales on a comparable basis to the first quarter of 2007, increased by \$50 million. Sales on a comparable basis increased due primarily to higher transaction prices for coated, specialty papers and market pulp, offset by lower prices for our lumber products. Shipments on a comparable basis increased for our coated paper and specialty papers, were flat for newsprint and market pulp and were lower in lumber in the first quarter of 2008 as compared to the first quarter of 2007. The impact of each of these items is discussed further in the "Segment Results of Operations" section of this MD&A.

Operating loss

Operating profit decreased to an operating loss in the first quarter of 2008 as compared to the first quarter of 2007. The inclusion of Abitibi's results in the first quarter of 2008 contributed an operating loss of \$145 million. Excluding the impact of Abitibi's results, the operating loss of \$4 million in the first quarter of 2008 represents a decrease of \$29 million from the operating income of \$25 million from the first quarter of 2007. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows:

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Manufacturing costs excluding Abitibi's results, increased in the first quarter of 2008 as compared to the first quarter of 2007 by \$27 million resulting primarily from unfavorable currency exchange (\$39 million), lower volumes (\$9 million) and increased costs for fiber and wood (\$17 million), energy (\$12 million) and chemicals (\$7 million). These increased manufacturing costs were offset by lower costs for labor and benefits (\$34 million), repairs (\$14 million) and depreciation (\$3 million).

Distribution costs excluding Abitibi's results were higher in the first quarter of 2008 as compared to the first quarter of 2007, primarily from higher distribution costs per ton as a result of our market mix of domestic versus export shipments, higher fuel charges by our carriers and the destination of customers.

Selling and administrative costs increased in the first quarter of 2008 as compared to the first quarter of 2007 due primarily to the inclusion of Abitibi's selling and administrative expenses. These costs are discussed further in the "Segment Results of Operations –Corporate and Other" section of this MD&A. Additionally, in the first quarter of 2008 we incurred approximately \$10 million in closure costs, primarily related to noncancelable contracts due to the completion of the permanent closing of our Bowater Dalhousie facility and the indefinite idling of our Donnacona operations in the first quarter. We realized \$23 million in net gains on disposition of timberlands and other fixed assets in the first quarter of 2008 whereas we had net gains of \$58 million in the same period of 2007. These costs and gains are discussed further in the "Segment Results of Operations –Corporate and Other" section of this MD&A.

Net loss

Net loss in the first quarter of 2008 was \$248 million or \$4.32 per common share, an increase in net loss of \$213 million or \$3.13 per common share, compared to the first quarter of 2007. The increase in net loss was a result of the increase in operating loss (\$174 million) due primarily to the inclusion of Abitibi's results for the first quarter of 2008 and as noted above, an increase in interest expense (\$82 million), partially offset by an increased foreign exchange gain (\$44 million). Interest expenses increased \$82 million in the first quarter of 2008 compared to the first quarter of 2007 due to the inclusion of Abitibi's results.

Segment Results of Operations

We manage our business based on the products that we manufacture and sell to external customers. Our reportable segments, which correspond to our primary product lines, are newsprint, coated papers, specialty papers, market pulp, and wood products. In general, our products are globally traded commodities. Pricing and the level of shipments of these products will continue to be influenced by the balance between supply and demand as affected by global economic conditions, changes in consumption and capacity, the level of customer and producer inventories, and fluctuations in currency exchange rates. None of the income or loss items following "Operating (loss) income" in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, impairments, employee termination costs, gains on dispositions of assets and other discretionary charges or credits are not allocated to the segments. Share-based compensation expense and depreciation expense are, however, allocated to our segments. For further information regarding our segments, see Note 16 to our Consolidated Financial Statements included in this Form 10-Q.

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Newsprint

	Three Months Ended		
	2008	2007	Change
Average price (per metric ton)	\$ 623	\$ 618	\$ 5
Average cost (per metric ton)	\$ 676	\$ 628	\$ 48
Shipments (thousands of metric tons)	1,299	490	809
Downtime (thousands of metric tons)	45	63	(18)
Inventory at end of the quarter (thousands of metric tons)	208	94	114
<i>(Unaudited, in millions)</i>			
Sales	\$ 809	\$ 303	\$ 506
Segment operating loss	(69)	(5)	(64)
Significant items that improved (lowered) segment operating loss:			
Product pricing – Bowater			2
Shipments – Bowater			(2)
Sales – Abitibi			506
Change in sales			506
Manufacturing costs – Bowater			(16)
Manufacturing costs – Abitibi			(479)
Change in total manufacturing costs and depreciation, amortization, and cost of timber harvested			(495)
Distribution costs – Bowater			(3)
Distribution costs – Abitibi			(67)
Change in distribution costs			(70)
Change in selling and administrative expenses			(5)
			\$ (64)

Three months ended March 31, 2008 versus March 31, 2007

Sales increased in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to the inclusion of Abitibi's results. Sales for the first quarter of 2007 on an unaudited combined basis for Abitibi and Bowater were \$796 million and shipments were 1,269 thousand metric tons.

Excluding sales of \$506 million attributable to Abitibi, Bowater sales for 2008 amounted to \$303 million, flat compared to the first quarter of 2007.

Excluding shipments of 809,000 metric tons attributable to Abitibi, Bowater's newsprint shipments for the first quarter of 2008 were flat at 490,000 metric tons.

While North American consumption continued its decline in the first quarter of 2008, global newsprint demand excluding North America has increased by 1% in the first quarter of 2008. We continue to take advantage of the stronger global markets by shipping more newsprint out of North America and into areas where market conditions are stronger. Although the first quarter average transaction price was only slightly higher than the comparable period in the prior year, our North American monthly newsprint price has increased significantly from December 2007 to March 2008. We have successfully implemented each of the announced newsprint price increases including the \$25 per metric ton increase in November 2007 and the \$60 per metric ton increase implemented in January through March 2008 and April of this year and are currently implementing the North American price increase of \$60 per metric ton over three equal monthly installments, beginning April 2008.

In the first quarter of 2008, the total downtime was primarily related to our indefinite idling of our Mackenzie facility (34,000

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metric tons). Inventory levels at March 31, 2008 of 208,000 metric tons decreased from 221,000 metric tons at December 31, 2007. Inventory levels at March 31, 2008 as compared to March 31, 2007 were higher due to the inclusion of Abitibi's newsprint inventory. Segment operating loss increased to \$69 million in the first quarter of 2008 compared to \$5 million in the first quarter of 2007 primarily as a result of higher manufacturing costs for Bowater and an operating loss of \$45 million contributed by Abitibi's operations for the first quarter of 2008. Segment operating loss for Bowater, excluding Abitibi's loss of \$45 million increased from \$5 million in the first quarter of 2007 to \$24 million in the first quarter of 2008. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows:

Segment manufacturing costs excluding Abitibi's results were \$16 million higher in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to slightly higher production volume (\$4 million), a stronger Canadian dollar (\$17 million), higher cost of purchased fiber (\$12 million) and power (\$6 million), partially offset by lower labor and fringe benefits (\$13 million) and maintenance expenses (\$5 million).

Segment distribution costs increased in the first quarter of 2008 compared to the first quarter of 2007 due to the inclusion of Abitibi's results. Overall Bowater's distribution costs were slightly higher when compared to the first quarter of 2007 due to higher distribution costs per ton.

Overall segment selling and administrative costs increased due to the inclusion of Abitibi's expenses for the first quarter of 2008.

Newsprint Third Party Data: In the three months ended March 31, 2008, total North American newsprint demand declined 5.7%, compared to the same period last year. North American net exports of newsprint were 2.1% higher than 2007 levels. Total inventories (North American mills and U.S. users) at March 31, 2008 were 1,149 million metric tons, 14.1% lower than March, 31 2007. The days of supply at the U.S. daily newspapers was 38 days at March 31, 2008, flat compared to March 31, 2007. The North American operating rate was 91.4% for the three months ended March 31, 2008.

Coated Papers

	Three Months Ended		
	2008	2007	March 31 2008 vs. 2007
Average price (per short ton)	\$ 843	\$ 713	\$ 130
Average cost (per short ton)	\$ 673	\$ 663	\$ 10
Shipments (thousands of short tons)	201	181	20
Downtime (thousands of short tons)	1	10	(9)
Inventory at end of the quarter (thousands of short tons)	27	51	(24)
<i>(Unaudited, in millions)</i>			
Sales	\$ 169	\$ 129	\$ 40
Segment operating income	34	9	25
Significant items that improved (lowered) segment operating income:			
Product pricing			\$ 26
Shipment volume			14
Change in sales			40
Change in manufacturing costs			(13)
Change in distribution costs			(2)
Change in selling and administrative expenses			-
			\$ 25

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Three months ended March 31, 2008 versus March 31, 2007

The Combination did not impact our coated papers segment results as Abitibi does not have any facilities that produce or sell coated papers.

Coated paper segment sales increased to \$169 million in the first quarter of 2008 compared to \$129 million the first quarter of 2007 as a result of significantly higher transaction prices and higher shipments. Our average transaction price increased by 18% and the shipments increased 11% in the first quarter of 2008 as compared to the first quarter of 2007. Price increases of \$60 per short ton which were announced during the fourth quarter for our coated grades were fully implemented.

Segment income increased by \$25 million in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to increased sales as discussed above, partially offset by higher manufacturing costs. The above table analyzes the major items that impacted operating income. A brief explanation of these major items follows:

The higher manufacturing costs are due to increased volumes (\$8 million) and increased costs for purchased fiber and wood (\$2 million) and increased fuel and chemicals costs (\$4 million).

Coated Papers Third Party Data (source: Pulp and Paper Products Council): U.S. consumer magazine advertising pages decreased 6.3% in the first quarter of 2008 compared to the first quarter of 2007. North American demand for coated mechanical papers increased 3.9% in the first quarter of 2008 compared to the same period of 2007. The industry operating rate was 99% in the first quarter of 2008 compared to 88% in the same period of 2007. North American coated mechanical mill inventories were at 11 days supply at March 31, 2008 compared to 25 days supply at March 31, 2007.

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Specialty Papers

	Three Months Ended March 31		
	2008	2007	Change
Average price (per short ton)	\$ 710	\$ 653	\$ 57
Average cost (per short ton)	\$ 770	\$ 690	\$ 80
Shipments (thousands of short tons)	646	216	430
Downtime (thousands of short tons)	47	6	41
Inventory at end of the quarter (thousands of short tons)	146	57	89
<i>(Unaudited, in millions)</i>			
Sales	\$ 459	\$ 141	\$ 318
Segment operating loss	(39)	(8)	(31)
Significant items that improved (lowered) segment operating loss:			
Product pricing – Bowater			10
Shipments – Bowater			3
Sales – Abitibi			305
Change in sales			318
Manufacturing costs – Bowater			(3)
Manufacturing costs – Abitibi			(306)
Change in total manufacturing costs and depreciation, amortization, and cost of timber harvested			(309)
Distribution costs – Bowater			(3)
Distribution costs – Abitibi			(35)
Change in distribution costs			(38)
Change in selling and administrative expenses			(2)
			\$ (31)

Sales increased in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to the inclusion of Abitibi's results. Sales for the first quarter of 2007 on an unaudited combined basis for Abitibi and Bowater were \$426 million and shipments were 628 thousand short tons. Excluding sales of \$305 million attributable to Abitibi, Bowater sales for 2008 increased to \$154 million from \$141 million in the first quarter of 2007. Excluding shipments of 425,000 short tons attributable to Abitibi, Bowater's specialty papers shipments for the first quarter of 2008 were 221,000 short tons. The increase in Bowater's sales was due to higher shipments and higher product pricing. Price increases of \$60 per short ton were announced during the fourth quarter for most of our uncoated mechanical grades.

Our downtime in the first quarter of 2008 was primarily for the indefinite idling of our Donnacona facility (30,000 short tons) and the idling of paper machine no. 2 at our Dolbeau, Quebec facility (11,000 short tons) which was restarted beginning in February 2008. Inventory levels at March 31, 2008 of 146,000 short tons decreased from 151,000 short tons at December 31, 2007. Inventory levels at March 31, 2008 as compared to March 31, 2007 were higher due to the inclusion of Abitibi's inventory.

Segment loss increased in the first quarter of 2008 as compared to the first quarter of 2007 primarily as a result of the inclusion of Abitibi's results for the first quarter of 2008, which contributed an operating loss of \$39 million. Segment operating loss for

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Bowater, excluding Abitibi's loss of \$39 million decreased from \$8 million in the first quarter of 2007 to a break-even point in the first quarter of 2008 due primarily to increased shipments, grade reallocation between mills and product pricing as discussed above. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows:

Segment manufacturing costs excluding Abitibi's results were almost at the same level in the first quarter of 2008 as compared to the first quarter of 2007, with only a \$3 million increase. Unfavorable costs including wood (\$1 million), power (\$3 million) and chemicals (\$2 million) and a stronger Canadian dollar (\$9 million), were offset by favorable volumes (\$5 million), improved labor and benefit costs (\$3 million) and lower maintenance expenses (\$5 million).

Segment distribution costs increased in the first quarter of 2008 compared to the first quarter of 2007 due to the inclusion of Abitibi's results.

Specialty Papers Third Party Data (source: Pulp and Paper Products Council): North American demand for supercalendered high gloss papers was up 5.3%, for lightweight or directory grades down 8.0%, and for standard uncoated mechanical papers up 9.8% in the first quarter of 2008 compared to the same period of 2007. The industry operating rate was 91% in the first quarter of 2008 compared to 87% for the same period of 2007. North American uncoated mechanical mill inventories were at 17 days supply at March 31, 2008 compared to 19 days supply at March 31, 2007.

Market Pulp

	Three Months Ended March 31		
	2008	2007	Change
Average price (per metric ton)	\$ 713	\$ 627	\$ 86
Average cost (per metric ton)	\$ 583	\$ 537	\$ 46
Shipments (thousands of metric tons)	236	212	24
Downtime (thousands of metrics tons)	4	7	(3)
Inventory at end of the quarter (thousands of metrics tons)	59	55	4
<i>(Unaudited, in millions)</i>			
Sales	\$ 168	\$ 133	\$ 35
Segment operating income	31	19	12
Significant items that improved (lowered) segment operating income:			
Product pricing – Bowater			18
Sales – Abitibi			17
Change in sales			35
Manufacturing costs – Bowater			(6)
Manufacturing costs – Abitibi			(16)
Change in total manufacturing costs and depreciation, amortization, and cost of timber harvested			(22)
Distribution costs – Bowater			(2)
Change in distribution costs			(2)
Change in selling and administrative expenses			1
			\$ 12

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Three months ended March 31, 2008 versus March 31, 2007

Sales increased in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to the inclusion of Abitibi's results. Abitibi's Fort Frances, Ontario mill produces approximately 116,000 metric tons annually. Sales for the first quarter of 2007 on an unaudited combined basis for Abitibi and Bowater were \$149 million and shipments were 239 thousand metric tons.

Excluding sales of \$17 million attributable to Abitibi, Bowater sales for 2008 increased to \$151 million from \$133 million in the first quarter of 2007.

Excluding shipments of 25,000 metric tons attributable to Abitibi, Bowater's market pulp shipments for the first quarter of 2008 were 211,000 metric tons.

The increase in product selling price accounted for the total variance of \$18 million as the product price increased from \$627 per metric ton in the first quarter of 2007 to \$713 per metric ton in the first quarter of 2008, an increase of 14%.

Inventory levels at March 31, 2008 of 59,000 metric tons increased from 50,000 metric tons at December 31, 2007 and were 55,000 metric tons at March 31, 2007. Currently, softwood grades have better market supply-demand dynamics than hardwood grades, but with the tight softwood grade market, demand for the hardwood grades is growing. Price increases announced were fully implemented in the first quarter of 2008.

Segment income increased in the first quarter of 2008 as compared to 2007, primarily as a result of the increase in sales, as noted above, offset by increased manufacturing costs for Bowater. Segment income attributable to the inclusion of Abitibi for the first quarter of 2008 was approximately \$1 million. The above table analyzes the major items that decreased operating income. A brief explanation of these major items follows:

Segment manufacturing costs, excluding Abitibi's costs of \$16 million, were \$6 million higher in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to higher costs for wood (\$5 million), fuel and chemicals costs (\$4 million) and a stronger Canadian dollar (\$6 million), partially offset by lower labor and benefits (\$3 million), repairs (\$2 million) and slightly lower volume (\$1 million).

Market Pulp Third Party Data(source: Pulp and Paper Products Council): World demand for market pulp increased 6.1% or 595,000 metrics tons in the first quarter of 2008 compared to the same period of 2007. Demand was up 4.6% in Western Europe, the world's largest pulp market, stable in North America, up 15.3% in China, 10.6% in Latin America and 11.8% in Africa and Asia other than China and Japan. World producers shipped at 90% of capacity in the first quarter of 2008 compared to 92% in the first quarter of 2007. World producer inventories were at 34 days supply at March 31, 2008, an increase of 3 days compared to 31 days supply at March 31, 2007.

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Wood Products

	Three Months Ended		
	March 31		
	2008	2007	Change
Average price (per mbf)	\$ 283	\$ 274	\$ 9
Average cost (per mbf)	\$ 363	\$ 335	\$ 28
Shipments (millions of mbf)	435	230	205
Downtime (millions of mbf)	213	25	188
Inventory at end of the quarter (millions of mbf)	170	50	120
<i>(Unaudited, in millions)</i>			
Sales	\$ 123	\$ 63	\$ 60
Segment operating loss	(35)	(14)	(21)
Significant items that improved (lowered) segment operating loss:			
Product pricing – Bowater			(5)
Shipments – Bowater			(14)
Sales – Abitibi			79
Change in sales			60
Manufacturing costs – Bowater			12
Manufacturing costs – Abitibi			(81)
Change in total manufacturing costs and depreciation, amortization, and cost of timber harvested			(69)
Distribution costs – Bowater			2
Distribution costs – Abitibi			(13)
Change in distribution costs			(11)
Change in selling and administrative expenses			(1)
			\$ (21)

Sales increased in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to the inclusion of Abitibi's results. Sales for the first quarter of 2007 on a pro forma combined basis for Abitibi and Bowater were \$173 million and shipments were 629 million board feet. Excluding sales of \$79 million attributable to Abitibi, Bowater sales for 2008 decreased to \$44 million from \$63 million in the first quarter of 2007. Excluding shipments of 265 million board feet attributable to Abitibi, Bowater's lumber shipments for the first quarter of 2008 were 170 million board feet. The decrease was a result of lower shipments of wood products by Bowater and lower product pricing due primarily to lower demand from a weaker U.S. housing market. We are not expecting any significant improvements in the wood products market in the short term. As such, during the first quarter, we announced the curtailment of annualized capacity of approximately 1.3 billion board feet of lumber in the provinces of Quebec and British Columbia. Downtime at our sawmills is the result of weak lumber markets. Segment loss increased in the first quarter of 2008 as compared to the first quarter of 2007 as a result of higher costs and the inclusion of Abitibi's results for the first quarter of 2008, which contributed an operating loss of \$17 million. The segment operating loss for Bowater, excluding Abitibi's loss of \$17 million, resulted in an operating loss increase of \$4 million compared to the first quarter of 2007. The above table analyzes the major items that increased our operating loss. A brief

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explanation of these major items follows:

The significant decrease in shipments in the first quarter of 2008 was offset by slightly lower distribution costs. Manufacturing costs were lower for Bowater in the first quarter of 2008 compared to the first quarter of 2007 primarily due to lower volumes (\$6 million), lower costs for wood (\$4 million), labor and benefits (\$4 million) and repairs (\$1 million) partially offset by a stronger Canadian dollar (\$6 million).

Segment distribution costs increased in the first quarter of 2008 compared to the first quarter of 2007 due to the inclusion of Abitibi's results.

Wood Products Third Party Data (source: U.S. Census Bureau): U.S. housing starts decreased 30.2% to 225,000 units in the first quarter of 2008 compared to 322,000 units in the first quarter of 2007, and are at their lowest level in approximately 17 years.

Corporate and Other

We exclude net gain on disposition of assets, closure costs, impairment and other related charges, employee termination costs and merger related charges from our internal review of segment results. Also excluded from our segment results are corporate and other items which include timber sales and general and administrative expenses. These items are analyzed separately from our segment results. The following table is included in order to facilitate the reconciliation of our segment sales and segment income (loss) to our total sales and operating (loss) income on our Consolidated Statements of Operations.

<i>(Unaudited, in millions)</i>	Three Months Ended		
	2008	2007	March 31
			Change
Sales	\$ –	\$ 3	(3)
Corporate and other (loss) income	(71)	24	(95)
Sales	–	3	(3)
Costs comprised of:			
Manufacturing costs	(10)	(2)	(8)
Manufacturing costs – Employee severance costs	(2)	(3)	1
Total manufacturing costs	(12)	(5)	(7)
Administrative expenses	(66)	(28)	(38)
Administrative expenses – Merger and severance related costs	(6)	(4)	(2)
Total administrative expenses	(72)	(32)	(40)
Closure costs, impairment and other related charges	(10)	–	(10)
Net gain on disposition of assets	23	58	(35)
Total corporate and other (loss) income	\$ (71)	\$ 24	\$ (95)

Sales

Sales decreased in the first quarter of 2008 when compared to the first quarter of 2007 due to lower timber sales, as the land that was producing the timberlands has been sold in our land sales program.

Manufacturing costs

Manufacturing costs included in corporate and other includes the cost of timberlands. Employee severance costs include the cost of employee reduction initiatives (severance and pension related) throughout the Company.

Administrative expenses

The increase in administrative expenses in the first quarter of 2008 as compared to the first quarter of 2007 was primarily due to the inclusion of Abitibi's administrative expenses for the first quarter of 2008, increased costs for stock-based compensation, annual incentive plan compensation and one-time expenses associated with the Combination, integration and synergies.

ABITIBIBOWATER INC.

Closure costs, impairment and other related charges

Immediately upon the Combination, we began a comprehensive strategic review of our operations to reduce costs and improve our profitability. On November 29, 2007, we announced the results of the initial phase of our comprehensive review, which included a decision to reduce our newsprint and specialty papers production capacity by approximately one million metric tons per year. The reductions included the permanent closure of Bowater's Dalhousie, New Brunswick facility and Abitibi's Belgo, Quebec facility; Fort William, Ontario facility and Lufkin, Texas facility, as well as the indefinite idling of Bowater's Donnacona, Quebec facility and Abitibi's Mackenzie, British Columbia facility, including two sawmills that directly support the Mackenzie paper mill operations. Additionally, we decided to permanently close paper machine no. 3 at Bowater's Gatineau, Quebec facility. The actions were completed in the first quarter of 2008. We recorded charges of \$123 million for long-lived asset impairment, severance and termination costs associated with our Bowater mills in the fourth quarter of 2007. The costs associated with our Abitibi mills were included in liabilities assumed in the Combination.

During the three-month period ended March 31, 2008 we recorded additional closure costs and other related charges of \$10 million for noncancelable contracts at our Bowater Dalhousie and Donnacona operations.

Net gain on disposition of assets

During the three months ended March 31, 2008, Bowater recorded a net pre-tax gain of \$23 million related primarily to the sale of timberlands. During the first quarter of 2008, we completed the sale of approximately 14,916 acres of timberlands and other assets, mainly our Price sawmill. These asset sales generated aggregate proceeds of approximately \$29 million. During the three months ended March 31, 2007, we recorded a net pre-tax gain of \$58 million related primarily to the sale of approximately 52,200 acres of timberlands and other assets for proceeds of \$65 million.

Interest Expense

Interest expense increased \$82 million from \$47 million in the first quarter of 2007 to \$129 million in the first quarter of 2008. This increase is entirely attributable to the inclusion of Abitibi for the first quarter of 2008. Due to the refinancing transactions (see Liquidity and Capital Resources below), we expect our quarterly interest expense to increase by \$22 million beginning in the second quarter of 2008.

Income Taxes

Our effective tax rate, which resulted in the recording of a tax provision on a pre-tax loss, was (1.2)% for the first quarter of 2008. Our effective tax rate, which resulted in the recording of a tax provision on a pre-tax loss, was (3.7)% for the first quarter of 2007.

During the first quarter of 2008 and 2007, income tax benefits of approximately \$93 million and \$13 million generated on our current quarter Canadian operating losses were entirely offset by tax charges to increase our valuation allowance related to these tax benefits. Additionally, any income tax benefit recorded on any future operating losses generated in these Canadian operations will probably be offset by additional increases to the valuation allowance (tax charge). This would have a negative impact on our overall effective income tax rate in future periods.

Our effective tax rate varies frequently and substantially from the weighted-average effect of both domestic and foreign statutory tax rates primarily as a result of the tax treatment on foreign currency gains and losses. We have a number of foreign subsidiaries whose unconsolidated foreign currency gains and losses are taxed in Canada. Upon consolidation, such income and gains are eliminated, but we are still liable for the Canadian taxes. Due to the variability and volatility of foreign exchange rates, we are unable to estimate the impact of future changes in exchange rates on our effective tax rate. Additionally, we will probably not be recording income tax benefits on any 2008 operating losses generated in Canada, which would have the impact of increasing our overall effective income tax rate in future periods.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity and capital resources are cash on hand, cash provided from operations and available borrowings under our subsidiaries' credit facilities including the accounts receivable securitization program, which are discussed in more detail below. We also periodically review timberland holdings and sell timberlands as a source of additional liquidity. We have targeted approximately \$750 million in asset sales by the end of 2009, including non-core facilities, U.S. timberlands, and the recent sale of our newsprint mill in Snowflake, Arizona. We believe that cash on hand, cash from operations, cash from

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the refinancing transactions and access to our credit facilities will be sufficient to provide for our anticipated requirements for working capital, contractual obligations and capital expenditures for the next twelve months.

Cash Used for Operations

During the first three months of 2008 and 2007, we had a net loss of \$248 million and \$35 million, respectively. Cash used for operating activities totaled \$197 million in the first three months of 2008 compared to \$16 million in the first three months of 2007. The increase in cash used for operations was primarily related to the significant increase in our net loss and net pension contributions in the first quarter of 2008 compared to the first quarter of 2007.

Cash (Used for) Provided by Investing Activities

Cash used in investing activities totaled \$7 million for the first three months of 2008 compared to cash provided by investing activities of \$29 million for the first three months of 2007. The decrease in cash provided by investing activities during the first three months of 2008 is due primarily to increased proceeds from timberland and other asset sales in 2007. Capital expenditures for all periods include compliance, maintenance, and projects to increase returns on production assets. We expect to maintain capital spending, on an annual basis, below \$200 million until market conditions improve and translate to strong positive cash flow. The only major project we have underway is a \$61 million boiler project at our Fort Frances facility. We have approximately \$47 million in costs remaining to be paid on this project.

Cash Provided by (Used for) Financing Activities

Cash provided by financing activities totaled \$301 million for the first three months of 2008 compared to cash used for financing activities of \$14 million for the first three months of 2007. The significant increase in the first three months of 2008 is due to increased borrowings to help pay for operating activities that used \$197 million in cash during this period.

Liquidity and Debt

As of March 31, 2008, our total liquidity was comprised of liquidity from our Abitibi and Bowater subsidiaries.

As described in Notes 4 and 17 to our audited consolidated financial statements included in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, our Abitibi subsidiary was experiencing a liquidity shortfall and facing significant near-term liquidity challenges. As a result of these liquidity issues, we had concluded at December 31, 2007 that there was substantial doubt about Abitibi's ability to continue as a going concern. As of March 31, 2008, Abitibi had a total of \$346 million of long-term debt maturing in 2008: \$196 million principal amount of its 6.95% Senior Notes due April 1, 2008 and \$150 million principal amount of its 5.25% Senior Notes due June 20, 2008. Additionally, Abitibi had revolving bank credit facilities with commitments totalling \$692 million maturing in the fourth quarter of 2008. These amounts were successfully refinanced on April 1, 2008. See *Refinancing* section below for a discussion of the financing transactions completed. While our April 1 refinancing has alleviated the substantial doubt about Abitibi's ability to continue as a going concern, significant financial uncertainties remain for Abitibi to overcome including, but not limited to, Abitibi's ability to repay or to refinance the \$350 million 364-day term facility due on March 30, 2009, to service the considerable debt resulting from the April 1 refinancings and to overcome their expected ongoing net losses and negative cash flows.

As of April 1, 2008, upon completion of our refinancings, Abitibi had liquidity of \$185 million, represented by cash on hand. As of April 15, 2008, after the sale of our Snowflake, Arizona newsprint facility and the repayment of certain debt, our Abitibi subsidiary had cash on hand of \$277 million. Abitibi is forecasting improving quarterly operating results, but still expects a net use of cash for the balance of the year for operations and debt service. Although the refinancings have improved Abitibi's liquidity situation, the \$350 million 364-day senior secured term loan to Abitibi-Consolidated Company of Canada ("ACCC"), a wholly-owned subsidiary of Abitibi, is maturing on March 30, 2009. This senior secured term loan is guaranteed by Abitibi and secured by substantially all of Abitibi's assets. In order to address the upcoming March 30, 2009 maturity, Abitibi and AbitibiBowater will be pursuing refinancing alternatives to renew or replace the existing 364-day senior secured term loan or entering into a new bank credit agreement. We have also announced an asset sales program of approximately \$750 million for AbitibiBowater, and any sales of Abitibi's assets would be expected to be used for debt reduction. Management continues to believe that the liquidity constraints at Abitibi will not affect the financial condition of Bowater or AbitibiBowater.

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Refinancing

On April 1, 2008 AbitibiBowater successfully completed a series of financing transactions designed to address these upcoming debt maturities and general liquidity needs, principally at its Abitibi subsidiary. The transactions included:

- A private placement, by ACCC of \$413 million of 13.75% senior secured notes due 2011 (“2011 Notes”). The senior secured notes are guaranteed by Abitibi and certain of its subsidiaries, and are secured by mortgages on certain pulp and paper mills owned by, and security interests in and pledges of certain other assets of, ACCC and the guarantors.
- A \$400 million 364-day senior secured term loan (“Term Loan”) to ACCC, with interest at LIBOR + 800 basis points, with a 3.5% LIBOR floor. ACCC is required to repay \$50 million of the Term Loan with certain proceeds from the sale of our Snowflake, Arizona newsprint mill (see note 8 “Assets Held for Sale and Liabilities Associated with Assets Held for Sale”). The senior secured term loan is secured primarily by the personal property (including accounts receivable and inventory, but excluding equipment, intellectual property and capital stock of subsidiaries) of ACCC, Abitibi and other guarantors, and by a first lien on substantially all of the assets of Donohue Corp., a direct subsidiary of AbitibiBowater (“D Corp.”), and D Corp’s subsidiaries, including fixed assets and certain other assets. The Term Loan ranks effectively senior to the 2011 Notes to the extent of the collateral securing the Term Loan.
- A private exchange offer whereby ACCC exchanged a combination of new senior unsecured notes and cash for an aggregate of a \$455 million of outstanding notes issued by Abitibi, ACCC and Abitibi–Consolidated Finance L.P. (“ACF”), a wholly–owned subsidiary of Abitibi. The exchange included a combination of cash and new 15.5% unsecured notes, due 2010, issued by ACCC for three series of outstanding notes: (i) \$175 million principal amount of 6.95% senior notes due April 1, 2008, issued by Abitibi, (ii) \$138 million principal amount of 5.25% senior notes due June 20, 2008, issued by ACCC, and (iii) \$142 million principal amount of 7.875% senior notes due August 1, 2009, issued by ACF. We expect this debt exchange transaction to result in an extinguishment gain during the second quarter of 2008 of approximately \$30 million.
- Simultaneously with these transactions, AbitibiBowater consummated the sale of a private placement of \$350 million of 8% convertible notes due 2013 (“Convertible Notes”) to Fairfax Financial Holdings Limited (“Fairfax”) and certain of its designated subsidiaries. The Convertible Notes bear interest at a rate of 8% per annum (10% per annum if we elect to pay interest through the issuance of additional convertible notes as “pay in kind”). Bowater provided a full and unconditional guarantee of the payment of principal and interest, and premium, if any, on the debentures. Bowater’s guarantee ranks equally in right of payment with all of our existing and future senior indebtedness. The Convertible Notes are not guaranteed by Abitibi or any of its respective subsidiaries. The Convertible Notes are convertible into shares of AbitibiBowater common stock at an initial conversion price of \$10.00 per share. On April 15, 2008, Fairfax exercised its right to appoint the two directors to the Board of AbitibiBowater, pursuant to the terms of the purchase agreement.

As a result of the refinancings and the repayment and cancellation of the Abitibi credit facilities, Abitibi is no longer subject to financial covenants.

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Short-term Debt

Abitibi and Bowater each maintain separate bank credit facilities. As of March 31, 2008, our available borrowings under such bank credit facilities were as follows:

<i>(Unaudited, in millions)</i>	Commitment	Amount Outstanding	Commitment Available ⁽¹⁾	Termination Date	Weighted Average Interest Rate ⁽²⁾
Abitibi:					
Credit facilities ⁽³⁾	\$ 692	\$ 615	\$ 3	11/08 & 12/08	7.4%
Bowater:					
U.S. credit facility	415	240	84	05/11	6.8%
Canadian credit facility	165	39	94	05/08	7.0%
	\$ 1,272	\$ 894	\$ 181		

(1) The commitment available under each of these revolving bank credit facilities is subject to collateral requirements and covenant restrictions as described below or in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, and is reduced by outstanding letters of credit of \$69 million for the Bowater U.S. credit facility, \$32 million for the Bowater Canadian credit facility and \$74 million for the Abitibi credit facility, while commitment fees for unused portions are 50, 25, and 70 basis points, respectively.

(2) Borrowings under the Abitibi and Bowater bank credit facilities incur interest based, at our option, on specified market interest rates plus a margin.

(3) The Abitibi credit facility was repaid and cancelled on April 1, 2008 as discussed above.

Bowater's U.S. credit agreement is guaranteed by certain of our wholly-owned subsidiaries in the United States, and is secured by (i) liens on the inventory, accounts receivable and deposit accounts of Bowater and the guarantors (ii) pledges of 65% of the stock of certain of our foreign subsidiaries, and (iii) pledges of the stock of our U.S. subsidiaries that do not own mills or converting facilities. Availability under the U.S. credit facility is limited to 75% of the net consolidated book value of our accounts receivable and inventory, excluding BCFPI and its subsidiaries.

Bowater's Canadian credit agreement is secured by liens on the inventory, accounts receivable and deposit accounts of BCFPI. Availability under the Canadian credit facility is limited to 60% of the net book value of the accounts receivable and inventory of BCFPI and its subsidiaries. We believe that this credit agreement will be extended or a similar agreement entered into given the fact that the agreement is secured by liens on the inventory, accounts receivable and deposit accounts of BCFPI.

Amendments to Bank Credit Facilities

On March 31, 2008, AbitibiBowater, Bowater and Bowater's subsidiaries entered into amendments to its U.S. and Canadian bank credit facilities which principally (i) withdraws the requirement that was included in the February 25, 2008 amendment disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008, that Bowater move the Catawba, South Carolina mill assets into the Catawba Subsidiary, (ii) requires Bowater to transfer the stock in subsidiaries owning the Coosa Pines and Grenada mill assets to AbitibiBowater, and grant such lenders first-ranking mortgages on such assets, and (iii) requires AbitibiBowater to provide an unsecured guarantee of obligations under our Bowater U.S. Credit Facility.

On April 30, 2008, Bowater and Bowater's subsidiaries entered into further amendments to its U.S. and Canadian bank credit facilities which principally extended the dates for (1) granting the lenders first-ranking mortgages on the Coosa Pines and Grenada mill assets from April 30, 2008 to May 15, 2008, and (2) delivering other related documentation to the lenders from April 30, 2008 to various dates between May 22, 2008 and June 30, 2008. We fully anticipate meeting these commitments.

Our Bowater U.S. Credit facility permits Bowater to send distributions to AbitibiBowater to service interest on AbitibiBowater's convertible debt provided that no default exists under this facility at the time of such payment and we are in pro forma compliance with this facility's financial covenants at the time of such payment. The lenders under our credit facilities have implemented a more traditional, more restrictive borrowing base, using more extensive eligibility criteria and imposing additional reporting obligations on us. We are not obligated to comply with the additional reporting requirements or the more restrictive borrowing base requirements until November 15, 2008.

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In addition to the limitations discussed above, Bowater may make dividends and distributions to AbitibiBowater sufficient to pay (1) taxes attributable to Bowater and its subsidiaries, (2) up to \$75 million in aggregate annual dividends to the holders of common stock and exchangeable shares, and (3) up to \$10 million more than 50% of certain AbitibiBowater's annual overhead expenses, such as accounting and auditing costs, director fees, director and officer insurance premiums, franchise taxes, transfer agent fees, and legal and other expenses connected to AbitibiBowater's status as a public company. Overhead expenses do not include management fees, salaries, bonuses, or debt service.

Abitibi and Bowater and their subsidiaries may also, from time to time, subject to any applicable restrictions contained in any indebtedness documents, enter into transactions with related parties, including AbitibiBowater for management and other services (such as IT, environmental, human resources and legal services) and inter-company advances, loans and investments, intercompany product sales and purchases.

Considering the amendments to the Bowater credit facilities, we expect to be in compliance through March 31, 2009.

Accounts Receivable Securitization Program

As of March 31, 2008, our outstanding amounts under our accounts receivable securitization program was as follows:

<i>(Unaudited, in millions)</i>	Commitment	Amount Outstanding	Termination Date	Weighted Average Interest Rate
<i>Off-Balance Sheet:</i> Accounts receivable securitization programs	\$ 350	\$ 272	07/09	6.2%

Abitibi sells most of its trade receivables through a securitization program in order to reduce working capital requirements. We now maintain an ongoing securitization program committed until July 2009 to obtain aggregate cash proceeds of up to \$350 million from accounts receivable, pursuant to sale agreements.

As of March 31, 2008, Abitibi transferred \$450 million of trade receivables resulting in cash proceeds of \$272 million, which represented the total available at that time under the securitization program. Accounts receivable are sold at discounted amounts based on the securitization provider's funding cost plus a margin. Abitibi acts as a servicing agent and administer the collection of the accounts receivable sold pursuant to these agreements. The fees received for servicing the accounts receivable approximate the value of services rendered. The amount that can be obtained under our securitization programs depends on the amount and nature of the accounts receivable available to be sold.

Employees

As of March 31, 2008 AbitibiBowater employed approximately 15,600 people, of whom approximately 11,000 were represented by bargaining units. Our unionized employees are represented predominantly by the Communications, Energy and Paperworkers Union in Canada and predominantly by the United Steelworkers Union in the U.S. As we implement synergies in 2008, we expect to have some decline in employment.

One collective bargaining agreement, covering approximately 150 of our employees, which expired before December 31, 2007, is in the process of being renewed. In 2008, another nine collective bargaining agreements will expire, covering approximately 700 employees. A significant number of our collective bargaining agreements with respect to our paper operations in Eastern Canada will expire in the second quarter of 2009. The employees at the facility in Mokpo, South Korea have complied with all conditions necessary to strike. The possibility of a strike or lockout of those employees is not clear. While negotiations with the unions in the past have resulted in collective agreements being signed, as is the case with any negotiation, we may not be able to negotiate acceptable new agreements, which could result in strikes or work stoppages by

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affected employees. Renewal of collective bargaining agreements could also result in higher wage or benefit costs. Therefore, we could experience a disruption of our operations or higher ongoing labor costs which could have a material adverse effect on our business, financial condition or results of operations.

Recent Accounting Pronouncements

Reference is made to Note 1 to our Consolidated Financial Statements included in this Form 10-Q, "Organization and Basis of Presentation — New accounting pronouncements" for a discussion of new accounting pronouncements issued but not yet adopted.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

AbitibiBowater is exposed to risks associated with foreign currency exchange rates, commodity price risk and changes in interest rates.

Foreign Currency Exchange Risk

We have manufacturing operations in Canada, the United States, the United Kingdom and South Korea and sales offices located throughout the world. As a result, we are exposed to movements in foreign currency exchange rates in countries outside the United States. Our most significant foreign currency exposure relates to Canada. Over half of our pulp and paper production capacity and a significant portion of our wood products production are in Canada, with manufacturing costs primarily denominated in Canadian dollars. Also, certain other assets and liabilities are denominated in Canadian dollars and are exposed to foreign currency movements. As a result, our earnings are affected by increases or decreases in the value of the Canadian dollar. Increases in the value of the Canadian dollar versus the United States dollar will tend to reduce reported earnings, and decreases in the value of the Canadian dollar will tend to increase reported earnings. See the information set forth under Part II, Item 1A., "Risk Factors — Currency fluctuations may adversely affect our results of operations and financial condition, and changes in foreign currency exchange rates can affect our competitive position, selling prices and manufacturing costs" for further information on foreign exchange risks related to our operating costs. To reduce our exposure to differences in Canadian dollar exchange rate fluctuations, we periodically enter into and designate Canadian dollar-forward contracts to hedge certain of our forecasted Canadian dollar cash outflows. We estimate the monthly forecasted Canadian dollar outflows on a rolling 24-month basis and, depending on the level of the Canadian dollar, hedge the first monthly Canadian dollar outflows of manufacturing costs up to 90% of such monthly forecasts in each of the first twelve months and up to 80% in the following twelve months of total forecasted Canadian dollar outflows. At March 31, 2008 and December 31, 2007, we had Canadian dollar forward contracts and offsetting forward contracts outstanding for a notional amount of \$40 million and \$70 million each. Based on exchange rates and hedging levels during the three months ended March 31, 2008, a one cent increase in the Canadian dollar exchange rate would have reduced our operating income by approximately \$8 million. We also enter into Euro and British pound sterling forward contracts for an amount equal to up to 75% of outstanding sales contracts with customers, depending on the levels of the respective currencies. At December 31, 2007, we had no Euro or British pound sterling forward contracts outstanding while at March 31, 2008 we had \$60 million and \$20 million, respectively, outstanding. Information regarding the carrying value and fair market value of the contracts is set forth in Note 13 to our Consolidated Financial Statements included in this Form 10-Q.

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Interest Rate Risk

We are exposed to interest rate risk on our fixed-rate and variable-rate long-term debt and our short-term variable-rate bank debt. Our objective is to manage the impact of interest rate changes on earnings and cash flows and on the market value of our borrowings. We have a mix of fixed-rate and variable-rate borrowings. At March 31, 2008 and December 31, 2007, we had \$4.7 billion of fixed rate long-term debt and \$1.2 billion and \$1.0 billion, respectively, of short and long-term variable rate debt. The fixed rate long-term debt is exposed to fluctuations in fair value resulting from changes in market interest rates, but not earnings or cash flows. Our variable rate short and long-term debt approximates fair value as it bears interest rates that approximate market, but changes in interest rates do affect future earnings and cash flows. Based on our outstanding short and long-term variable rate debt, a 100 basis-point increase in interest rates would have increased our interest expense for the three months ended March 31, 2008 by approximately \$3 million before the impact of our interest rate swaps. In addition, Abitibi has \$850 million of notional amount of interest rate swaps that exchange a variable rate for a fixed rate. These swaps do not qualify for hedge accounting. A 100 basis point increase in short-term interest rates would have increased our cash disbursements for these swaps by approximately \$2 million in the first quarter of 2008. The change in fair value of the instruments is recorded in interest expense in our Consolidated Statement of Operations.

Commodity Price Risk

We purchase significant amounts of energy, chemicals, wood fiber and recovered paper to supply our manufacturing facilities. These raw materials are market-priced commodities and, as such, are subject to fluctuations in market prices. Increases in the prices of these commodities will tend to reduce our reported earnings and decreases will tend to increase our reported earnings. From time to time, we may enter into contracts aimed at securing a stable source of supply for commodities such as timber, wood fiber, energy, chemicals and recovered paper. These contracts typically require us to pay the market price at the time of purchase. Thus under these contracts we generally remain subject to market fluctuations in commodity prices.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures:

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2008. Based on that evaluation, the Executive Chairman and Chairman of the Board of Directors and the Senior Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective in recording, processing, summarizing, and timely reporting information required to be disclosed in our reports to the Securities and Exchange Commission.

(b) Changes in Internal Control over Financial Reporting:

In connection with the evaluation of internal control over financial reporting, there were no changes during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims and other matters. We periodically review the status of these proceedings with both inside and outside counsel. Although the final outcome of any of these matters is subject to many variables and cannot be predicted with any degree of certainty, we establish reserves for a matter when we believe an adverse outcome is probable and the amount can be reasonably estimated. We believe that the ultimate disposition of these matters will not have a material adverse effect on our financial condition, but it could have a material adverse effect on the results of operations in any given quarter or year. On June 18, 2007, The Levin Group, L.P. filed a complaint against Bowater in the Supreme Court of New York, New York County, asserting claims for breach of contract and related claims relating to certain advisory services purported to have been provided by the plaintiff in connection with the Combination. This complaint was dismissed and the matter is now before the Court of Common Pleas in Greenville County, South Carolina, where the parties are currently involved in the initial stages of the litigation, including discovery and the maintaining of various procedural motions. The Levin Group seeks damages of no less than \$70 million, related costs and such other relief as the court deems just and proper. We believe this claim is entirely without merit and intend to continue to contest this matter vigorously.

Since late 2001, Bowater, several other paper companies, and numerous other companies have been named as defendants in asbestos personal injury actions. These actions generally allege occupational exposure to numerous products. We have denied the allegations and no specific product of ours has been identified by the plaintiffs in any of the actions as having caused or contributed to any individual plaintiff's alleged asbestos-related injury. These suits have been filed by approximately 1,800 claimants who sought monetary damages in civil actions pending in state courts in Delaware, Georgia, Illinois, Mississippi, Missouri, New York, Tennessee, and Texas. Approximately 1,000 of these claims have been dismissed, either voluntarily or by summary judgment, and approximately 800 claims remain. Insurers are defending these claims and we believe that all of these asbestos-related claims are covered by insurance, subject to any applicable deductibles and our insurers' rights to dispute coverage. While it is not possible to predict with certainty the outcome of these matters, we do not expect these claims to have a material adverse impact on our business, financial position or results of operations. There have been no other material developments to the legal proceedings described in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008.

Item 1A. Risk Factors

The following risk factors are intended to update the risk factors set forth in our Annual Report on Form 10-K/A for the year ended December 31, 2007, filed on March 20, 2008.

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition or future results. The risks described below are not the only risks we are facing. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition or results of operation.

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We have substantial indebtedness that could adversely affect our financial health, and our efforts to reduce and restructure this indebtedness may not be successful.

We have a significant amount of indebtedness. As of March 31, 2008, AbitibiBowater had outstanding total debt of approximately \$5.9 billion, of which approximately \$0.6 billion was secured debt, and shareholders' equity of \$1.6 billion. Each of our Abitibi and Bowater subsidiaries has outstanding long-term notes and also utilizes bank credit facilities for working capital and other operating needs. Our substantial amount of debt could have important negative consequences. For example, it could:

- limit our ability to obtain additional financing, if needed, or refinancing, when needed, for debt service requirements, working capital, capital expenditures, acquisitions, or other purposes;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to make payments on our debt;
- cause us to monetize assets such as timberland or production facilities on terms that may be unfavorable to us;
- cause us to offer debt or equity securities on terms that may not be favorable to the Company or its shareholders;
- reduce funds available for operations, future business opportunities or other purposes;
- limit our flexibility in planning for, or reacting to, changes and opportunities in our business and our industry;
- increase employee turnover and uncertainty, divert management's attention from routine business, and hinder our ability to recruit qualified employees; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Bowater's Canadian facility is a 364-day facility that is currently scheduled to expire on May 30, 2008. Under the terms of the Bowater Canadian facility, so long as lenders holding a majority of the facility commitments agree to renew their commitments for a period of 364 days, Bowater has the right either to replace any lender who declines to renew its commitment with a substitute lender or to renew the facility with only the commitments of the lenders who have agreed to renew their commitments. In the event that lenders holding a majority of the commitments do not agree to extend, we would be forced to seek a new facility for the Bowater Canada operations. No assurance can be given that we will be able to obtain a new facility should a majority of the lenders decline to renew or that we will be able to replace the lender who has notified us that it will not renew.

We intend to sell approximately \$750 million of our assets in order to reduce our indebtedness. On April 10, 2008, we sold our Snowflake, Arizona mill and related assets to Catalyst Paper Corporation for approximately \$161 million. This sale was required to comply with the requirements set forth by the U.S. Department of Justice ("DOJ") in October 2007 for approval of Abitibi's combination with Bowater. We continue to explore opportunities for the sale of other assets such as timberland or production facilities, but can make no assurances that we will be able to complete any such sales or that the terms of any such sales would be favorable to us.

Our bank credit facilities, the indentures governing our various notes, debentures and other debt securities and the terms and conditions of our other indebtedness may permit us or our subsidiaries to incur or guarantee additional indebtedness, including secured indebtedness in some circumstances. The terms of this indebtedness also restrict our ability to sell assets, apply the proceeds of such sales, and reinvest in our business. To the extent we incur additional or replacement indebtedness, some or all of the risks discussed above may increase.

Although management believes that we will be able to comply with the terms of its debt agreements, there can be no assurance that we will not be required to refinance all or a portion of our debt or to obtain additional financing. We may be unable to refinance or obtain additional financing because of our high levels of debt and the debt incurrence restrictions under our debt agreements. We may be forced to default on our debt obligations if cash flow is insufficient and refinancing or additional financing is unavailable. If we default under the terms of some of our indebtedness, the relevant debt holders may accelerate the maturity of its obligations, which could cause cross-defaults or cross-acceleration under our other obligations.

There can be no assurance that we will be able to generate sufficient cash flows to repay our outstanding indebtedness when it matures, in light of (1) the significant decreases in North American demand for newsprint, which is our principal product, (2) the current weakness in the housing and lumber markets, and (3) the strength of other currencies, particularly the Canadian dollar, against the U.S. dollar.

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We may experience difficulties in integrating the businesses of Abitibi and Bowater and may not realize the anticipated synergies, efficiencies and cost savings from the Combination.

The success of the Combination will depend, in significant part, on our ability to realize the anticipated synergies, efficiencies and cost savings from integrating the businesses of Abitibi and Bowater. At the end of the first quarter 2008, we had achieved an annual run rate of approximately \$180 million in captured synergies. Our success in continuing to realize these synergies, efficiencies and cost savings, and the timing of this realization, depend on the successful integration of such businesses and operations. We may not be able to accomplish this integration process smoothly or successfully. The necessity of coordinating geographically disparate organizations and addressing possible differences in corporate and regional cultures and management philosophies may increase the difficulties of integration. The integration of certain operations following the Combination will take time and will require the dedication of significant management resources, which may temporarily divert management's attention from the routine business of AbitibiBowater. Employee uncertainty and lack of focus during the integration process may also disrupt the business of AbitibiBowater.

Even if we are able to integrate such businesses and operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, efficiencies and cost savings that we currently expect from this integration or that these benefits will be achieved within the time frame or in the manner anticipated. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, or the benefits from the Combination may be offset by the costs incurred in integrating the businesses and operations or adverse conditions imposed by regulatory authorities on the combined business in connection with granting approval for the Combination. If we do not realize our anticipated synergies and efficiencies, in the amounts or in the time frame expected, or if our management cannot integrate successfully the operations of the two companies, our business and results of operations may be adversely affected.

Developments in alternative media could continue to adversely affect the demand for our products, especially in North America, and our responses to these developments may not be successful.

Trends in advertising, electronic data transmission and storage and the Internet could have further adverse effects on traditional print media, including our products and those of our customers, but neither the timing nor the extent of those trends can be predicted with certainty. Our newspaper, magazine and catalog publishing customers may increasingly use, and compete with businesses that use, other forms of media and advertising and electronic data transmission and storage, including television and the Internet, instead of newsprint, coated paper, uncoated specialty papers or other products made by us. The demand for certain of our products weakened significantly over the last several years. For example, industry statistics indicate that North American newsprint consumption has been in decline for several years and has experienced annual declines of 5.1% in 2005, 6% in 2006 and 9.8% in 2007. We believe, and certain third party forecasters indicate, that these declines in newsprint demand could continue in 2008 and beyond due to conservation measures taken by publishers, reduced North American newspaper circulation, less space devoted to advertising and substitution to other uncoated mechanical grades.

Between November 29, 2007 and February 29, 2008, we reduced our newsprint and specialty papers production capacity by almost 1 million metric tons per year. As a result of our continuing review of our business to reduce cost, improve our manufacturing platform, and better position ourselves in the global marketplace, it may be necessary to curtail even more production or permanently shut down even more machines or facilities. Such curtailments and shut downs would become increasingly likely as North American newsprint demand continues to decline or if market conditions otherwise worsen. Curtailments or shutdowns could result in goodwill or asset write-downs at the affected facilities and could negatively impact our cash flows and materially affect our results of operations and financial condition.

Currency fluctuations may adversely affect our results of operations and financial condition, and changes in foreign currency exchange rates can affect our competitive position, selling prices and manufacturing costs.

We compete with North American, European and Asian producers in most of our product lines. Our products are sold and denominated in U.S. dollars, Canadian dollars and selected foreign currencies. A substantial portion of our manufacturing costs are denominated in Canadian dollars. In addition to the impact of product supply and demand, changes in the relative strength or weakness of the U.S. dollar may also affect international trade flows of these products. A stronger U.S. dollar may attract imports into North America from foreign producers, increase supply and have a downward effect on prices, while a weaker U.S. dollar may encourage U.S. exports and increase manufacturing costs that are in Canadian dollars or other foreign currencies. Variations in the exchange rates between the U.S. dollar and other currencies, particularly the Euro and the currencies of Canada, United Kingdom, Sweden and certain Asian countries, will significantly affect our competitive position compared to many of our competitors.

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ABITIBIBOWATER INC.

We are particularly sensitive to changes in the value of the Canadian dollar versus the U.S. dollar. The impact of these changes depends primarily on our production and sales volume, the proportion of our production and sales that occur in Canada, the proportion of our financial assets and liabilities denominated in Canadian dollars, our hedging levels and the magnitude, and direction and duration of changes in the exchange rate. We expect exchange rate fluctuations to continue to impact costs and revenues; however, we cannot predict the magnitude or direction of this effect for any quarter, and there can be no assurance of any future effects. During the first quarter of 2008, the relative value of the Canadian dollar, based on the end of day rate based on New York City composite as reported by Bloomberg, ranged from a low of US\$0.9753 on February 28, 2008 to a high of US\$1.0349 on January 21, 2008.

Based on exchange rates and hedging levels during the three months ended March 31, 2008, a one cent increase in the Canadian dollar exchange rate would have reduced our operating income by approximately \$8 million.

If the Canadian dollar remains strong for an extended period of time, it could influence the foreign exchange rate assumptions that are used in our evaluation of goodwill and long-lived assets for impairment and, consequently, result in additional goodwill or asset impairment charges.

We may not be successful in our strategy of increasing our share of coated and specialty papers and competing in growth markets with higher returns.

One of the components of our long-term strategy is to improve our portfolio of businesses by focusing on coated and specialty papers and competing more aggressively in growth markets with higher returns. There are risks associated with the implementation of this strategy, which is complicated and which involves a substantial number of mills, machines and personnel. Full implementation of this strategy may also require significant capital investment. To the extent we are unsuccessful in achieving this strategy, our results of operations may be adversely affected.

We face intense competition in the forest products industry and the failure to compete effectively would have a material adverse effect on our business, financial condition and results of operations.

We compete with numerous forest products companies, some of which have greater financial resources than we do. There has been a continued trend toward consolidation in the forest products industry, leading to new global producers. These global producers are typically large, well-capitalized companies that may have greater flexibility in pricing and financial resources for marketing, investment and expansion than we do. The markets for our products are all highly competitive. Actions by competitors can affect our ability to sell our products and can affect the volatility of the prices at which our products are sold. While the principal basis for competition is price, we also compete on the basis of customer service, quality and product type. There has also been an increasing trend toward consolidation among our customers. With fewer customers in the market for our products, our negotiation position with these customers could be weakened.

In addition, our industry is capital intensive, which leads to high fixed costs. Some of our competitors may be lower-cost producers in some of the businesses in which we operate. Global newsprint capacity, particularly Chinese and European newsprint capacity, has been increasing, which is expected to result in lower prices, volumes or both for our exported products. We believe that new hardwood pulp capacity at South American pulp mills has unit costs that are significantly below those of our hardwood kraft pulp mills. Other actions by competitors, such as reducing costs or adding low-cost capacity, may adversely affect our competitive position in the products we manufacture and, consequently, our sales, operating income and cash flows. We may not be able to compete effectively and achieve adequate levels of sales and product margins. Failure to compete effectively would have a material adverse effect on our business, financial condition and results of operations.

ABITIBIBOWATER INC.

The forest products industry is highly cyclical. Fluctuations in the prices of, and the demand for, our products could result in smaller or negative profit margins, lower sales volumes, and curtailment or closure of operations.

The forest products industry is highly cyclical. Historically, economic and market shifts, fluctuations in capacity and changes in foreign currency exchange rates have created cyclical changes in prices, sales volume and margins for our products. Most of our paper and wood products are commodities that are widely available from other producers and even our coated and specialty paper is susceptible to these fluctuations. Because our commodity products have few distinguishing qualities from producer to producer, competition for these products is based primarily on price, which is determined by supply relative to demand. The overall levels of demand for the products we manufacture and distribute and, consequently, our sales and profitability, reflect fluctuations in levels of end-user demand, which depend in part on general economic conditions in North America and worldwide. In 2007, we experienced lower demand and decreased pricing for our wood products due to a weaker U.S. housing market. We are not expecting any significant improvements in the wood products market before 2009. As such, we have recently curtailed annualized capacity of approximately 1.3 billion board feet of lumber in the provinces of Quebec and British Columbia. We continue to review our wood products business with the objective of selling non-core assets, consolidating facilities, and curtailing or closing non-contributing operations. Curtailments or shutdowns could result in goodwill or asset write-downs at the affected facilities and could negatively impact our cash flows and materially affect our results of operations and financial condition. See also "Developments in alternative media could continue to adversely affect the demand for our products, especially in North America and our responses to these developments may not be successful."

Our manufacturing businesses may have difficulty obtaining fiber at favorable prices, or at all.

Fiber is the principal raw material we use in our business. We use both virgin fiber (wood chips and logs) and recycled fiber (old newspapers and magazines) as fiber sources for our paper mills. Wood fiber is a commodity and prices historically have been cyclical. The primary source for wood fiber is timber. Environmental litigation and regulatory developments have caused, and may cause in the future, significant reductions in the amount of timber available for commercial harvest in Canada and the United States. In addition, future domestic or foreign legislation, litigation advanced by aboriginal groups and litigation concerning the use of timberlands, the protection of endangered species, the promotion of forest biodiversity and the response to and prevention of catastrophic wildfires could also affect timber supplies. Availability of harvested timber may further be limited by factors such as fire and fire prevention, insect infestation, disease, ice storms, wind storms, drought, flooding and other natural and man-made causes, thereby reducing supply and increasing prices.

Wood fiber pricing is subject to market influences and our cost of wood fiber may increase in particular regions due to market shifts. We are not expecting any significant improvements in the wood products market before 2009. As such, we recently curtailed annualized capacity of approximately 1.3 billion board feet of lumber in the provinces of Quebec and British Columbia. Other wood products producers have also announced closures or curtailments of sawmills. Continued closures and curtailments are likely to reduce the supply and increase the price of wood fiber.

Pricing of recycled fiber fluctuates. For example, prices of old newspapers have fluctuated from an average of \$88 per ton in December 2006, to \$132 per ton in March 2007, to \$118 per ton in December 2007, to \$137 per ton in March 2008. We believe that price increases are related to expanding paper and packaging capacity in Asia, as well as strong North American demand, and that prices may remain at elevated levels. Any sustained increase in fiber prices would increase our operating costs and we may be unable to increase prices for our products in response.

Although we believe that the balance of fiber supply between our internal sources and the open market is adequate to support our current wood products and paper and pulp production requirements, there is no assurance that access to fiber will continue at the same levels achieved in the past. The cost of softwood fiber and the availability of wood chips may be affected. If our cutting rights pursuant to the forest licenses or forest management agreements of Abitibi and Bowater are reduced or if any third-party supplier of wood fiber stops selling or is unable to sell wood fiber to us, our financial condition and operating results would suffer.

ABITIBIBOWATER INC.

An increase in the cost of our purchased energy, chemicals and other raw materials could lead to higher manufacturing costs, thereby reducing our margins.

Our operations consume substantial amounts of energy such as electricity, natural gas, fuel oil, coal and wood waste. We buy energy and raw materials, including chemicals, wood, recovered paper and other raw materials, primarily on the open market. The prices for raw materials and energy are volatile and may change rapidly, directly affecting our results of operations. The availability of raw materials and energy may also be disrupted by many factors outside our control, adversely affecting our operations. Energy prices, particularly for electricity, natural gas and fuel oil, have been volatile in recent years and prices for 2005, 2006, 2007 and the first quarter of 2008 exceeded historical averages. As a result, fluctuations in energy prices will impact our manufacturing costs and contribute to earnings volatility.

We are a major user of renewable natural resources such as water and wood. Accordingly, significant changes in climate and agricultural diseases or infestation could affect our financial condition and results of operations. The volume and value of timber that we can harvest or purchase may be limited by factors such as fire and fire prevention, insect infestation, disease, ice storms, wind storms, flooding, other weather conditions and other causes. As is typical in the industry, we do not maintain insurance for any loss to our standing timber from natural disasters or other causes. Also, we can provide no assurance that we will be able to maintain our rights to utilize water or to renew them at conditions comparable to those currently in effect.

For our commodity products, the relationship between industry supply and demand for these products, rather than changes in the cost of raw materials, will determine our ability to increase prices. Consequently, we may be unable to pass along increases in our operating costs to our customers. Any sustained increase in energy, chemical or raw material prices without any corresponding increase in product pricing could reduce our operating margins and potentially require us to limit or cease operations of one or more of our machines.

We could experience disruptions in operations and/or increased labor costs due to labor disputes.

We believe we are the largest employer in the Canadian pulp and paper sector and have the sector's largest representation by unions. A significant number of our collective bargaining agreements with respect to our paper operations in Eastern Canada will expire on the same date in 2009. In early 2008, we initiated negotiations with the union representing the majority of our Eastern Canadian employees on the 2009 agreements. Those negotiations occurred in March 2008 and were not successful in reaching an early agreement. The employees at the facility in Mokpo, South Korea have complied with all conditions necessary to strike, but the possibility of a strike or lockout of those employees is not clear. Furthermore, our collective agreements for our employees at our facilities in Coosa Pines and Calhoun, located in Southeast U.S., and Bridgewater, U.K. will be renewed in 2008. While negotiations with the unions in the past have resulted in collective agreements being signed, as is the case with any negotiation, we may not be able to negotiate acceptable new agreements, which could result in strikes or work stoppages by affected employees. Renewal of collective bargaining agreements could also result in higher wage or benefit costs. Therefore, we could experience a disruption of our operations or higher ongoing labor costs which could have a material adverse effect on our business, financial condition or results of operations.

Our operations require substantial capital and we may not have adequate capital resources to provide for all of our capital requirements.

Our businesses are capital intensive and require that we regularly incur capital expenditures in order to maintain our equipment, increase our operating efficiency and comply with environmental laws. If our available cash resources and cash generated from operations are not sufficient to fund our operating needs and capital expenditures, we would have to obtain additional funds from borrowings or other available sources or reduce or delay our capital expenditures. We may not be able to obtain additional funds on favorable terms or at all. In addition, our debt service obligations will reduce our available cash flows. If we cannot maintain or upgrade our equipment as we require, we may become unable to manufacture products that compete effectively in one or more of our product lines.

Changes in laws and regulations could adversely affect our results of operations.

We are subject to a variety of foreign, federal, state, provincial and local laws and regulations dealing with trade, employees, transportation, taxes, timber and water rights and the environment. Changes in these laws or regulations or their interpretations or enforcement have required in the past, and could require in the future, substantial expenditures by us and adversely affect

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ABITIBIBOWATER INC.

our results of operations. For example, changes in environmental laws and regulations have in the past, and could in the future, require us to spend substantial amounts to comply with restrictions on air emissions, wastewater discharge, waste management and landfill sites, including remediation costs. Environmental laws are becoming increasingly stringent. Consequently, our compliance and remediation costs could increase materially.

Changes in the political or economic conditions in Canada, the United States or other countries in which our products are manufactured or sold could adversely affect our results of operations.

We manufacture products in Canada, the United States, the United Kingdom and South Korea and sell products throughout the world. Paper prices are tied to the health of the economies of North and South America, Asia and Europe, as well as to paper inventory levels in these regions. The economic and political climate of each region has a significant impact on our costs and the prices of, and demand for, our products. Changes in regional economies or political instability, including acts of war or terrorist activities, can affect the cost of manufacturing and distributing our products, pricing and sales volume, directly affecting our results of operations. Such changes could also affect the availability or cost of insurance.

We may be subject to environmental liabilities.

We are subject to a wide range of general and industry-specific laws and regulations relating to the protection of the environment, including those governing air emissions, wastewater discharges, timber harvesting, the storage, management and disposal of hazardous substances and waste, the clean-up of contaminated sites, landfill operation and closure, forestry operations, endangered species habitat, and health and safety. As an owner and operator of real estate and manufacturing and processing facilities, we may be liable under environmental laws for cleanup and other costs and damages, including tort liability and damages to natural resources, resulting from past or present spills or releases of hazardous or toxic substances on or from our current or former properties. We may incur liability under these laws without regard to whether we knew of, were responsible for, or owned the property at the time of, any spill or release of hazardous or toxic substances on or from our property, or at properties where we arranged for the disposal of regulated materials. Claims may arise out of currently unknown environmental conditions or aggressive enforcement efforts by governmental or private parties.

We have net liabilities with respect to our pension plans and the actual cost of our pension plan obligations could exceed current provisions.

As of December 31, 2007, our defined benefit pension plans were under-funded by an aggregate of approximately \$496 million on a financial accounting basis. Abitibi and Bowater used different measurement dates and assumptions in determining their combined pension plan obligations. Our future funding obligations for the defined benefit pension plans depend upon changes to the level of benefits provided by the plans, the future performance of assets set aside in trusts for these plans, the level of interest rates used to determine minimum funding levels, actuarial data and experience and any changes in government laws and regulations. Any adverse change to any of these factors may require us to increase our cash contributions to our pension plans and those additional contributions could have a material adverse effect on our cash flows and results of operations.

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ABITIBIBOWATER INC.

Item 6. Exhibits

Exhibits (numbered in accordance with Item 601 of Regulation S-K):

<u>Exhibit No.</u>	<u>Description</u>
2.1	Asset and Stock Purchase Agreement, dated as of February 10, 2008, by and between Abitibi Consolidated Sales Corporation and Catalyst Paper Corporation.
10.1	Fifth Amendment, dated as of April 30, 2008, to the Credit Agreement dated as of May 31, 2006 by and among Bowater Incorporated, certain subsidiaries of Bowater party thereto, AbitibiBowater Inc., the Lenders and the Canadian Lenders party thereto and Wachovia Bank, National Association, as administrative agent for the Lenders party thereto.
10.2	Fifth Amendment, dated as of April 30, 2008, to the Credit Agreement dated as of May 31, 2006 by and among Bowater Canadian Forest Products Inc., Bowater Incorporated, certain subsidiaries and affiliates of Bowater party thereto, AbitibiBowater Inc., the Lenders and the U.S. Lenders party thereto and The Bank of Nova Scotia, as administrative agent for the Lenders party thereto.
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
31.1	Certification of CEO Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
32.2	Certification of CFO Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.

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**ABITIBIBOWATER INC.
SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ABITIBIBOWATER INC.

By /s/ William G. Harvey
 William G. Harvey
 Senior Vice President and Chief
 Financial Officer

By /s/ Joseph B. Johnson
 Joseph B. Johnson
 Vice President and Controller

Dated: May 12, 2008

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ABITIBIBOWATER INC.
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ASSET AND STOCK PURCHASE AGREEMENT
BETWEEN
ABITIBI CONSOLIDATED SALES CORPORATION
(as Seller)
AND
CATALYST PAPER CORPORATION
(as Purchaser)
DATED AS OF THE 10th DAY OF FEBRUARY, 2008

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ASSET AND STOCK PURCHASE AGREEMENT

THIS ASSET AND STOCK PURCHASE AGREEMENT is entered into and effective as of February 10, 2008 (the “**Effective Date**”) by and between Abitibi Consolidated Sales Corporation, a corporation organized and existing under the laws of the State of Delaware (“**Seller**”) and Catalyst Paper Corporation, a Canadian corporation (“**Purchaser**”). Capitalized terms used in this Agreement shall have the meanings ascribed to them in Section 10.1.

WITNESSETH

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to acquire from Seller, on a going concern basis, certain assets of the Newsprint Business that Seller owns or in which Seller has a transferable interest, on the terms and subject to the conditions set forth herein;

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to acquire from Seller, all of the issued and outstanding shares of capital stock (the “**Apache Shares**”) of The Apache Railway Company, an Arizona corporation (“**Apache**”), on the terms and subject to the conditions set forth herein; and

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to Purchaser’s willingness to enter into this Agreement, Seller shall have provided the Guaranty, duly executed by AbitibiBowater Inc.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. PURCHASE AND SALE OF ASSETS AND SHARES AND ASSUMPTION OF LIABILITIES

1.1 Newsprint Assets.

Subject to and upon the terms and conditions set forth in this Agreement, at the Closing, Seller shall sell, convey, transfer, assign and deliver to Purchaser and Purchaser shall purchase from Seller, on a going concern basis, all of Seller’s right, title and interest, as at the Closing Time, in and to the assets of Seller, to the extent used in, held for use in, or necessary for the conduct of the Newsprint Business, whether tangible or intangible, real, personal or mixed (the “**Newsprint Assets**”) including all of Seller’s right, title and interest, as at the Closing Time, in and to the following (except, in each case to the extent otherwise provided in Section 1.3):

- 1.1.1 all accounts and other claims for money due to Seller or any of its Affiliates (other than Apache) related to the Newsprint Business (the “**Snowflake Accounts Receivable**”), except for trade receivables related to the sale of newsprint (“**Trade Receivables**”);
 - 1.1.2 the inventory of finished goods (including goods in transit and goods on consignment), work in progress, raw materials, spare parts and supplies of Seller used or held for use in the Newsprint Business or that are included as an asset in the determination of Adjusted Closing Net Working Capital (the “**Newsprint Inventory**”);
 - 1.1.3 the real property described on Schedule 1.1.3, together with Seller’s right, title and interest in and to all buildings, structures, fixtures and improvements thereon and all
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privileges, rights, easements and rights of way appurtenant thereto (the “**Newsprint Owned Real Property**”);

- 1.1.4 the real property leases listed on Schedule 1.1.4 pursuant to which Seller is the tenant (the “**Newsprint Real Property Leases**”);
 - 1.1.5 the machinery, equipment, parts, furniture, fixtures, materials, supplies, tools, leasehold improvements, telephone systems, computer systems, motor vehicles and other tangible personal property that are owned by Seller, are located in or on the Real Property and are used in, held for use in, or necessary for the conduct of the Newsprint Business (the “**Newsprint Owned Equipment**”);
 - 1.1.6 the equipment leases set forth on Schedule 1.1.6 (the “**Newsprint Equipment Leases**” and the equipment with respect thereto being the “**Newsprint Leased Equipment**”);
 - 1.1.7 the intellectual property licenses set forth on Schedule 1.1.7 (the “**Newsprint Intellectual Property Licenses**” and the intellectual property licensed pursuant thereto being the “**Newsprint Licensed Intellectual Property**”);
 - 1.1.8 all customer orders to the extent reasonably intended by Seller at the time of such order to be fulfilled from the Newsprint Business and to the extent not included in any Trade Receivable (the “**Newsprint Customer Orders**”);
 - 1.1.9 all orders for supplies and services to the extent reasonably intended by Seller at the time of such order to be used in connection with the Newsprint Business (the “**Newsprint Purchase Orders**”);
 - 1.1.10 (i) the Contracts set forth on Schedule 1.1.10 (subject to any limitations expressly set forth therein), (ii) all Material Contracts to the extent related to the Newsprint Business (subject to any limitations set forth on Schedule 3.13.1) and (iii) all Contracts to which Seller is a party that primarily relate to the Newsprint Business and that do not provide for the purchase or sale of significant products or services by any other business of Seller or any of its Affiliates; but in each case not including any Contract set forth on Schedule 1.3.1.2 (the “**Newsprint Business Contracts**”);
 - 1.1.11 all Permits relating to the Newsprint Business to the extent assignable (the “**Newsprint Assigned Permits**”);
 - 1.1.12 Seller’s rights pursuant to the Operating and Management Agreement and the Stone Container Lease;
 - 1.1.13 the Books and Records relating to the Newsprint Business or the Newsprint Employees (the “**Newsprint Acquired Books and Records**”), which Newsprint Acquired Books and Records shall consist of the original copies of Books and Records relating to the Newsprint Business; provided, that, Seller may maintain copies of such Newsprint Acquired Books and Records as it may require to comply with Contractual obligations and applicable laws, rules and regulations;
 - 1.1.14 all rights to any insurance claims that relate to all property and casualty proceeds received or receivable in connection with the damage or destruction of any asset that
-

would have been included in the Newsprint Assets but for such damage or destruction, except to the extent any such insurance claim is to reimburse or indemnify Seller or its Affiliates for costs incurred by Seller or its Affiliates in connection with the repair of such damage or destruction or the replacement of the damaged or destroyed asset (the “**Newsprint Insurance Claims**”);

- 1.1.15 any credits, prepaid expenses, deferred charges, advanced payments, prepaid items and claims for refunds or reimbursements against third parties (but excluding cash security or other deposits), in each case to the extent reflected as an asset in the determination of Adjusted Closing Net Working Capital (the “**Newsprint Prepaid Items**”);
- 1.1.16 any groundwater, surface and subsurface water rights related to the Newsprint Business, including any such rights appurtenant to or otherwise associated with the Owned Real Property and any water rights evidenced by certificates, permits, filings, registrations (including well registrations), statements, notices and claims (including Statements of Claimant filed in the Water Rights Litigation) on file with ADWR and appurtenant to or otherwise associated with the Owned Real Property, except to the extent any such claim, cause of action, defense and right of offset or counterclaims related to the period prior to the Closing Time (the “**Newsprint Water Rights**”);
- 1.1.17 subject to Section 1.3.1.4, all claims, causes of action, defenses and rights of offset or counterclaim (at any time or in any manner existing or arising, whether choate or inchoate, known or unknown, contingent or noncontingent), in each case against third parties, including under warranties, guarantees or indemnities to the extent related to the Businesses, the Newsprint Assets or Assumed Obligations, but excluding Seller’s claims, causes of action, defenses, and rights of offset or counterclaim to the extent of any Loss incurred by Seller that gave rise to such claims, causes of action, defenses and rights of offset or counterclaim; and
- 1.1.18 the goodwill associated with the Newsprint Business.
For greater certainty, the Newsprint Assets do not include the Excluded Assets.

1.2 Apache Stock.

Subject to and upon the terms and conditions set forth in this Agreement, at the Closing, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller the Apache Shares.

1.3 Excluded Assets and Non-Owned Assets.

- 1.3.1 Notwithstanding anything in this Agreement, from and after the Closing Date, Seller and its Affiliates shall retain all of the right, title and interest in and to, and there shall be excluded from the sale, conveyance, assignment or transfer to Purchaser hereunder, and the Newsprint Assets shall not include, the following (the “**Excluded Assets**”):
 - 1.3.1.1 all cash, commercial paper, certificates of deposit and other bank deposits, treasury bills, petty cash, cash on deposit and other cash equivalents, and other marketable and non-marketable securities (other than the Apache Shares and cash received (i) upon payment of any Accounts Receivable from and after the Closing Time, and (ii) that
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relates to Newsprint Insurance Claims or Newsprint Prepaid Items) owned or held by Seller;

- 1.3.1.2 subject to Section 1.3.3, (i) all Contracts set forth on Schedule 1.3.1.2, (ii) all Contracts other than any Newsprint Business Contracts and (iii) Contracts for the sale of newsprint (other than the Newsprint Customer Orders) (the “**Excluded Contracts**”);
 - 1.3.1.3 the names (and logos) “Abitibi”, “Abitibi Consolidated”, “AbitibiBowater” and “Bowater” or any similar trade names, trademarks or logos to the extent the same incorporate such names (or logos) or any variation thereof, and any other intellectual property that is owned, licensed, used or required by Seller or its Affiliates (other than Apache) to provide services under the Transitional Services Agreement but not required for the operation of the Businesses outside the scope of the services provided under the Transitional Services Agreement (the “**Excluded Intellectual Property**”);
 - 1.3.1.4 Seller’s rights, claims and causes of action against third parties to the extent related to (i) any Excluded Asset, (ii) any Newsprint Retained Obligation or (iii) any of those matters set forth on Schedule 1.3.1.4;
 - 1.3.1.5 all Contracts of insurance to which Seller is a party, or relating to any right, asset, property, business or operation of Seller, including all rights to any claims thereunder (except the Newsprint Insurance Claims). For greater certainty, such Contracts of insurance shall be included in the Excluded Contracts;
 - 1.3.1.6 all corporate minute books and stock transfer books of Seller and the corporate seal of Seller;
 - 1.3.1.7 all refunds and credits due to Seller to which Seller is entitled in respect of any Tax or Taxes;
 - 1.3.1.8 all accounts of Seller with banks and other financial institutions;
 - 1.3.1.9 all of Seller’s interests in any Plans or arrangements maintained by Seller on behalf of Newsprint Employees and/or Apache Employees, other than as expressly set forth in Section 6;
 - 1.3.1.10 except for the Apache Shares, all of Seller’s right, title and interest in and to any asset, right or property to the extent not used in, or held for use in, or necessary for the conduct of the Newsprint Business;
 - 1.3.1.11 the Trade Receivables; and
 - 1.3.1.12 the rights of Seller under this Agreement.
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For the avoidance of doubt, to the extent any asset is included in determining Adjusted Closing Net Working Capital, such asset shall not constitute an Excluded Asset.

1.3.2 The Newsprint Assets shall also exclude the assets and/or properties listed on Schedule 1.3.2 (the “**Third Party Assets**”).

1.3.3 Schedule 1.3.3 sets forth certain Contracts related to the Newsprint Business to which Seller or any of its Affiliates is a party, and that provide for products or services to or from any other business of Seller or any of its Affiliates, which as at the Effective Date, are not included within the Newsprint Business Contracts and are included within the Excluded Contracts; provided, that: (i) within five (5) Business Days following the Effective Date, Seller shall provide or make available to Purchaser a copy of all Contracts set forth on Schedule 1.3.3, as redacted to remove all confidential information or data that is not applicable to the Newsprint Business (the “**Redacted Contracts**”); (ii) within ten (10) Business Days after the date on which Seller provided or made available such Redacted Contracts to Purchaser, Purchaser may elect to assume, as at the Closing Date, Seller’s right, title and interest, to the extent related to the Newsprint Business, in and to any Redacted Contracts by providing written notice to Seller to such effect, which notice shall set forth the Redacted Contracts that Purchaser wishes to assume (the “**Assumed Redacted Contracts**”); and (iii) at the Closing, Seller shall assign to Purchaser, and Purchaser shall assume from Seller, Seller’s right, title and interest in and to the Assumed Redacted Contracts, if any, to the extent related to the Newsprint Business, and same shall be included within the Newsprint Business Contracts as of the Effective Date. For greater certainty, any Redacted Contract that Purchaser does not elect to assume pursuant to this Section 1.3.3 shall remain an Excluded Contract.

1.4 Nonassignable Rights.

To the extent that the sale, conveyance, assignment, sublease, transfer or delivery or the attempted sale, assignment, sublease, transfer, conveyance or delivery to Purchaser of any Newsprint Asset or any claim or right or any benefit arising thereunder or resulting therefrom is prohibited by any applicable law, rule, regulation, order or judgment or would require the authorization, approval, consent or waiver of any third party (including any Governmental Entity) (a “**Nonassignable Right**”) and such authorization, approval, consent or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, conveyance, assignment, sublease, transfer or delivery, or an attempted sale, conveyance, assignment, sublease, transfer or delivery thereof until such authorization, approval, consent or waiver has been obtained and the following provisions shall be applicable:

1.4.1 Following the Closing, Seller shall use its commercially reasonable efforts at its sole cost and expense, and Purchaser shall cooperate therewith, to obtain such authorization, approval, consent or waiver or cause the taking of any required action, as applicable. To the extent that any such authorization, approval, consent or waiver is not so obtained or any such action is not so taken, Seller shall, to the extent reasonably possible and not prohibited by any applicable law, rule, regulation, order or judgment (i) provide to Purchaser the benefits of any such Nonassignable Right as though it were the sole owner thereof, (ii) cooperate in any reasonable and lawful arrangement reasonably requested by Purchaser designed to provide such benefits to Purchaser including

purchasing or contracting for the account of Purchaser, or reimbursing Purchaser for any costs or expenses related to the purchase of or the contracting for, such product, service, license, asset or other lawful arrangement that will provide to Purchaser the benefits of such Nonassignable Right, and (iii) at the reasonable request of Purchaser, enforce for the account of Purchaser any right of Seller arising from any such Nonassignable Right against such third party. All costs and expenses incurred by Seller in carrying out the foregoing clauses (i) and (ii) will be paid by Seller; provided, that, Purchaser will be responsible for obligations and liabilities relating to such Nonassignable Rights as if they had been transferred or assigned to Purchaser in accordance with the terms of this Agreement. Once such authorization, approval, consent or waiver for the sale, conveyance, assignment, sublease, transfer or delivery of any Newsprint Asset not sold, conveyed, assigned, subleased, transferred, or delivered at the Closing is obtained, Seller shall, or shall cause its Affiliate to, convey, assign, sublease, transfer and deliver such Newsprint Asset to Purchaser at no additional cost. With respect to the provisions of this Section 1.4, Seller shall, or shall cause its Affiliate to, pay promptly to Purchaser, when received, all income, proceeds and other monies (other than the Purchase Price or any other amount payable by Purchaser to Seller or its Affiliate pursuant to this Agreement or any other Operative Agreement or any other amounts constituting an Excluded Asset) received by Seller after the Closing to the extent related to any Newsprint Asset.

1.4.2 To the extent that Purchaser is provided the benefits pursuant to this Section 1.4 of any such Nonassignable Right, Purchaser shall perform, for the benefit of the applicable third party, the obligations of Seller thereunder or in connection therewith and shall indemnify and hold Seller harmless against any such liability or obligations thereunder arising or to be performed on or after the Closing Date or otherwise constituting an Assumed Obligation.

1.5 Assumed Obligations.

On the terms and subject to the conditions set forth in this Agreement, except to the extent indemnified by Seller pursuant to this Agreement, at the Closing, Purchaser agrees to assume and to pay, perform and discharge when due the following liabilities and obligations of Seller relating to the conduct and operations of the Newsprint Business, as the same shall exist as of the Closing Time (other than Newsprint Retained Obligations) (the "**Assumed Obligations**");

- 1.5.1 all liabilities and obligations of Seller to be performed on or after the Closing Date under the Newsprint Real Property Leases, the Newsprint Equipment Leases, the Newsprint Intellectual Property Licenses, the Newsprint Customer Orders, the Newsprint Purchase Orders, the Newsprint Business Contracts, the Newsprint Assigned Permits, the Newsprint Insurance Claims, the Newsprint Prepaid Items and the Newsprint Water Rights (subject to Section 5.1); provided, that, Purchaser shall assume no liability or obligation, to pay any rebates based on aggregate annual volumes of newsprint sold to a customer with respect to any Newsprint Customer Orders (the "**Excluded Newsprint Customer Order Liabilities**");
- 1.5.2 all liabilities included in determining the Adjusted Closing Net Working Capital;
- 1.5.3 all liabilities in respect of Actions described on Schedule 1.5.3;
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- 1.5.4 Seller's obligations pursuant to the Operating and Management Agreement, the Stone Container Lease and, to the extent provided under the terms of the Stone Container Assignment, the Stone Container Guaranty;
 - 1.5.5 the specific liabilities and obligations listed on Schedule 1.5.5;
 - 1.5.6 all liabilities and obligations assumed by Purchaser pursuant to Section 6; and
 - 1.5.7 all other liabilities and obligations specifically assumed by Purchaser pursuant to this Agreement or any other Operative Agreement.
- 1.6 **Newsprint Retained Obligations.**
Notwithstanding anything in this Agreement to the contrary, (i) liabilities and obligations of Seller owed to an Affiliate of Seller (except to the extent reflected as a liability in the determination of Adjusted Closing Net Working Capital), (ii) liabilities of Seller for Taxes, (iii) any liability or obligation of Seller or any of its Affiliates not constituting an Assumed Obligation and (iv) any liability or obligation to the extent related to or arising out of any Excluded Assets shall be excluded from the Assumed Obligations and retained by Seller or its Affiliates, as applicable (the "**Newsprint Retained Obligations**").
- 1.7 **Purchase Price.**
The purchase price for the Newsprint Assets and the Apache Shares shall be one hundred sixty one million Dollars (\$161,000,000) (the "**Purchase Price**"), subject to adjustment as set forth in Section 1.8 (the Purchase Price as it may be adjusted pursuant to Section 1.8 being referred to as the "**Estimated Adjusted Purchase Price**") and Section 1.9 (the Estimated Adjusted Purchase Price as it may be further adjusted pursuant to Section 1.9 being referred to as the "**Adjusted Purchase Price**"). The Estimated Adjusted Purchase Price shall be paid at the Closing. Purchaser and Seller shall in good faith attempt to agree, within thirty (30) days following the Closing Date, to an allocation of the Adjusted Purchase Price between the Newsprint Assets (the "**Newsprint Purchase Price**") and the Apache Shares (the "**Apache Purchase Price**").
- 1.8 **Estimated Purchase Price Adjustment.**
- 1.8.1 Not less than three (3) Business Days prior to the Closing Date, Seller shall prepare, or cause to be prepared, and deliver to Purchaser a good faith estimate of the Closing Net Working Capital as of the Closing Time (the "**Estimated Closing Net Working Capital Statement**"), which shall set forth the Estimated Net Working Capital of the Newsprint Business and of Apache as of the Closing Time (which shall be set forth separately for each of the Newsprint Business and Apache, but as aggregated shall be referred to as the "**Estimated Net Working Capital**") and shall be prepared in accordance with Seller's past accounting methods, policies, practices and procedures and in the same manner, with consistent classification and estimation methodology, as the Financial Statements were prepared, except that the Excluded Assets and the Newsprint Retained Obligations shall be excluded.
 - 1.8.2 At the Closing, the Purchase Price shall be adjusted by an amount equal to (i) the Estimated Net Working Capital minus (ii) the Normalized Net Working Capital (the "**Estimated Purchase Price Adjustment Amount**"). If the Estimated Purchase Price
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Adjustment Amount is a negative number, then the payment made by Purchaser at the Closing shall be decreased by the absolute value of the Estimated Purchase Price Adjustment Amount and if the Estimated Purchase Price Adjustment Amount is a positive number, then the payment made by Purchaser at the Closing shall be increased by the Estimated Purchase Price Adjustment Amount.

1.9 Post-Closing Purchase Price Adjustment.

1.9.1 Within ninety (90) days following the Closing Date, Seller shall prepare, or cause to be prepared, and deliver to Purchaser a statement (the "**Closing Net Working Capital Statement**") which shall set forth the Net Working Capital of the Newsprint Business and of Apache as of the Closing Time (which shall be set forth separately for each of the Newsprint Business and Apache, but as aggregated shall be referred to as the "**Closing Net Working Capital**") and shall be prepared in accordance with Seller's past accounting methods, policies, practices and procedures and in the same manner, with consistent classification and estimation methodology, as the Financial Statements were prepared, except that the Excluded Assets and the Newsprint Retained Obligations shall be excluded. The Closing Net Working Capital Statement may not be amended by Seller after it is delivered to Purchaser.

1.9.2 Purchaser shall, within thirty (30) days after the delivery of the Closing Net Working Capital Statement to it, complete its review of the Closing Net Working Capital reflected on the Closing Net Working Capital Statement. If Purchaser wishes to dispute the Closing Net Working Capital, Purchaser shall notify Seller in writing in reasonable detail of such disagreement and any reason therefore ("**Purchaser's Objection**"), setting forth a specific description of the basis of Purchaser's Objection and the adjustments to the Closing Net Working Capital that Purchaser believes should be made, on or before the last day of such thirty (30) day period, which Purchaser's Objection may not be amended by Purchaser after it is delivered to Seller (except to withdraw any such Purchaser's Objection). Any items on the Closing Net Working Capital Statements not disputed in Purchaser's Objection shall be irrevocably deemed to be accepted by Purchaser. Seller shall then have thirty (30) days to review and respond to Purchaser's Objection. If Seller and Purchaser are unable to resolve all of their disagreements with respect to the determination of the foregoing items within thirty (30) days following Seller's receipt of Purchaser's Objection (the "**Negotiation Period**"), they shall refer their remaining differences to a mutually agreeable independent accounting firm of national recognition (other than an independent accounting firm utilized by any of Seller, Apache or Purchaser or any Affiliate of any of the foregoing within the past three (3) years) acceptable to both Seller and Purchaser or if Seller and Purchaser are unable to agree as to such third party accounting firm within ten (10) days after the conclusion of the Negotiation Period, either Seller or Purchaser may request that the Chairman of the American Arbitration Association (or the nominated representative of the Chairman) appoint a third party accounting firm meeting the aforementioned requirements to resolve the dispute (the accounting firm selected being referred to as the "**CPA Firm**"), who shall determine, only with respect to the remaining differences so submitted, whether and to what extent, if any, the Closing Net Working Capital requires adjustment. The procedure and schedule under which any dispute shall be submitted to the CPA Firm shall be as follows:

- (a) Within ten (10) days after the later of (i) the end of the Negotiation Period and (ii) the selection of the CPA Firm, Purchaser shall submit any unresolved elements of the Purchaser's Objection to the CPA Firm in writing (with a copy to Seller), supported by any documents and/or affidavits upon which it relies. Failure to timely do so shall constitute a withdrawal by Purchaser of the Purchaser's Objection with respect to any unresolved element to which such failure relates.
- (b) Within fifteen (15) days following Purchaser's submission of the unresolved elements of the Purchaser's Objection as specified in sub-clause (a) above, Seller shall submit its response to the CPA Firm in writing (with a copy to Purchaser), supported by any documents and/or affidavits upon which it relies. Failure to timely do so shall constitute an acceptance by Seller with respect to any unresolved elements to which such failure relates.
- (c) The CPA Firm shall deliver its written determination to Purchaser and Seller no later than the thirtieth (30th) day after the remaining differences underlying Purchaser's Objection are referred to the CPA Firm, or such longer period of time as the CPA Firm determines is necessary.

The CPA Firm's determination shall be conclusive and binding upon Purchaser and Seller. Purchaser and Seller shall make readily available to the CPA Firm all relevant Books and Records and any work papers (including those of the parties' respective accountants) relating to the Closing Net Working Capital Statement and all other items commercially reasonably required by the CPA Firm. The "**Adjusted Closing Net Working Capital**" shall be (i) the Closing Net Working Capital if Purchaser's Objection is not delivered to Seller during the thirty (30) day period specified above, (ii) the Closing Net Working Capital, adjusted in accordance with Purchaser's Objection if Seller does not respond to Purchaser's Objection within the thirty (30) day period specified above, or (iii) the Closing Net Working Capital, as adjusted by either (A) the agreement of Seller and Purchaser, (B) the CPA Firm or (C) treatment of any unresolved element of the Purchaser's Objection as contemplated by clauses (a) or (b) above. Any expenses relating to the engagement of the CPA Firm shall be allocated between Purchaser and Seller so that Purchaser's share of such costs shall be in the same proportion that (x) the amount equal to the aggregate value of the disputed items submitted by Purchaser to the CPA Firm that are unsuccessfully disputed by Purchaser bears to (y) the amount equal to the aggregate value of all disputed items submitted by Purchaser to the CPA Firm. Seller and Purchaser shall each bear the fees of their respective counsel, accountants and other representatives incurred in connection with the determination of the Adjusted Closing Net Working Capital.

- 1.9.3 Within ten (10) days following the date that the Adjusted Closing Net Working Capital is finalized in accordance with Section 1.9.2, the adjustment payment payable pursuant to this Section 1.9.3 (the "**Post-Closing Adjustment Amount**"), plus interest thereon from the Closing Date to, but not including, the date of payment at eight percent (8%) calculated on a three hundred and sixty-five (365)-day basis, shall be paid by wire transfer of immediately available funds to a bank account designated by Purchaser or Seller, as the case may be. The Post-Closing Adjustment Amount shall be an amount equal to (i) the Adjusted Closing Net Working Capital minus (ii) the Estimated Net Working Capital. If the Post-Closing Adjustment Amount is a negative number, then Seller shall pay an amount equal to the absolute value of the Post-Closing Adjustment
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Amount to Purchaser and if the Post-Closing Adjustment Amount is a positive number, then Purchaser shall pay an amount equal to the Post-Closing Adjustment Amount to Seller.

1.10 Allocation of Newsprint Purchase Price.

Seller and Purchaser each acknowledges and agrees that the purchase and sale of the Newsprint Assets is an "applicable asset acquisition" within the meaning of Section 1060(c) of the Code. Purchaser and Seller shall in good faith attempt to agree, within one hundred twenty (120) days following the Closing Date, to an allocation of the Newsprint Purchase Price (as it may be adjusted pursuant to Section 1.9 and including for this purpose the Assumed Obligations) among the Newsprint Assets in a manner consistent with rules under Section 1060 of the Code and the Treasury Regulations thereunder. Seller and Purchaser shall each file Internal Revenue Service Form 8594 and any required attachments thereto, together with all federal, state, local and foreign Tax Returns, in a manner consistent with and in accordance with any such agreed allocation.

1.11 Section 338(h)(10) Election.

At Purchaser's request within thirty (30) days following the Closing Date, Seller and Purchaser agree, in connection with the sale and purchase of the Apache Shares, that each shall make a joint election pursuant to Section 338(h)(10) of the Code with respect to Apache, and corresponding elections, where available, in any states where Apache is doing business, in the same or similar manner as provided by the Code and applicable rules and regulations (the "**338(h)(10) Elections**"). Purchaser and Seller shall in good faith attempt to agree, within one hundred twenty (120) days following the Closing Date, to an allocation of the Apache Purchase Price (as it may be adjusted pursuant to Sections 1.8 and 1.9 and including for this purpose the liabilities of Apache (plus other relevant items)), among the assets of Apache in a manner consistent with rules under Section 338 of the Code, the Treasury Regulations thereunder. Seller and Purchaser shall each file Internal Revenue Service Form 8883 and any required attachments thereto, together with all federal, state, local and foreign Tax Returns, in a manner consistent with and in accordance with any such agreed upon allocations.

1.12 Taxes on Transfer.

Any sales Tax, use Tax, real property transfer Tax, documentary stamp Tax or similar Tax attributable to the sale or transfer of the Newsprint Assets, the Newsprint Business or the Apache Shares (for the avoidance of doubt, not including any Tax measured by income or gains which shall be payable one hundred per cent (100%) by Seller) shall be paid fifty percent (50%) by Purchaser and fifty percent (50%) by Seller. Purchaser and Seller each agree to timely sign and deliver such certificates or forms as may be necessary or appropriate to establish any available exemption from (or otherwise reduce) such Taxes, and shall file any Tax Returns required with respect to such Taxes. Any out of pocket cost incurred with respect to the preparation or filing of such certificates, forms or Tax Returns shall be paid fifty percent (50%) by Purchaser and fifty percent (50%) by Seller.

1.13 Real Estate and Personal Property Taxes.

To the extent not otherwise covered by the adjustment to the Purchase Price contemplated by Section 1.9, all real estate and personal property Taxes with respect to the Newsprint Assets shall

be prorated as of the Closing Date, with Seller liable for such Taxes through the Closing Date and Purchaser being liable for such Taxes on and after the Closing Date.

2. CLOSING

2.1 Closing Date and Time.

The closing of the purchase and sale of the Newsprint Assets and the Apache Shares (the "**Closing**") shall take place at the offices of Davies Ward Phillips & Vineberg LLP in Montreal, Québec at 10:00 a.m. (Montreal time) on the third (3rd) Business Day following the date on which the conditions of the parties set forth in Section 7 have been satisfied or waived (other than those conditions that by their nature are to be fulfilled at the Closing, but subject to the satisfaction or waiver of those conditions) (such third (3rd) Business Day being the "**Closing Date**") with effect from 12:01 a.m. (Arizona time) on the Closing Date (the "**Closing Time**"). Time shall be of the essence for purposes of this Section 2.1.

2.2 Seller Deliveries.

At the Closing, Seller shall deliver to Purchaser (or as Purchaser may request or to such other Person as is entitled to receive such delivery pursuant to this Agreement):

- 2.2.1 a bill of sale in the form of Exhibit 2.2.1 (the "**Bill of Sale**"), duly executed by Seller;
 - 2.2.2 the Newsprint Acquired Books and Records, which shall be delivered constructively;
 - 2.2.3 a special warranty deed in the form of Exhibit 2.2.3 (the "**Deed**"), duly executed by Seller;
 - 2.2.4 the consent of Coalsales, LLC under that certain Purchase Agreement for Purchase and Sale of Coal dated as of January 1, 2007, between Seller and Coalsales, LLC;
 - 2.2.5 a FIRPTA certificate in the form of Exhibit 2.2.5, duly executed by Seller;
 - 2.2.6 an assignment and assumption agreement by and between Purchaser and Seller in the form of Exhibit 2.2.6 (the "**Assignment and Assumption Agreement**"), duly executed by Seller;
 - 2.2.7 the ONP Supply Agreement and the OCC Supply Agreement, in each case duly executed by Seller or its applicable Affiliate;
 - 2.2.8 the Transitional Services Agreement, duly executed by Seller;
 - 2.2.9 required Arizona and local real estate and other filings, including an Affidavit of Property Value attached hereto as Exhibit 2.2.9 (the "**Real Property Affidavit**");
 - 2.2.10 the Stone Container Assignment, duly executed by Seller;
 - 2.2.11 stock certificate(s) evidencing the Apache Shares duly endorsed in blank by Seller;
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- 2.2.12 resignations dated the Closing Date, duly executed by all of the directors and officers of Apache, or alternatively (but only to the extent permitted under applicable law), certified resolutions of the shareholder or directors of Apache removing all directors and officers of Apache and replacing them with such individuals as Purchaser may designate;
 - 2.2.13 the certificate required pursuant to Section 7.2.6;
 - 2.2.14 a duly executed release or releases, in form and substance reasonably acceptable to Purchaser releasing the Newsprint Assets from the Encumbrances set forth on Schedule 2.2.14;
 - 2.2.15 with respect to the Newsprint Water Rights, the appropriate executed assignments, requests to change well information and notifications, each in a form (i) acceptable to ADWR when supplemented by evidence of transfer of title and (ii) reasonably acceptable to Purchaser;
 - 2.2.16 the Pension Plans Assignment and Assumption Agreement, duly executed by Seller;
 - 2.2.17 the Welfare Benefit Plans Assignment and Assumption Agreement, duly executed by Seller;
 - 2.2.18 each Arizona Lease Assignment and Assumption Agreement, in each case together with an Arizona Lease Application Form, each duly executed and completed by Seller;
 - 2.2.19 in form and substance reasonably satisfactory to Purchaser, all other consents or waivers from third parties to Material Contracts required to be obtained in connection with the consummation of the transactions contemplated by this Agreement, the failure of which to obtain would, individually or in the aggregate, be material to the Newsprint Business or Apache after the Closing; and
 - 2.2.20 such other agreements, documents and instruments as are contemplated to be delivered by Seller at the Closing pursuant to this Agreement.
- 2.3 Purchaser's Deliveries.
- At the Closing, Purchaser shall deliver to Seller (or as Seller may request or to such other Person as is entitled to receive such delivery pursuant to this Agreement):
- 2.3.1 the Estimated Adjusted Purchase Price by wire transfer of immediately available funds in accordance with the wire instructions attached as Exhibit 2.3.1 (or as such instructions may be modified by Seller by written notice to Purchaser no later than two (2) Business Days prior to the Closing Date);
 - 2.3.2 the Bill of Sale, duly executed by Purchaser;
 - 2.3.3 the Assignment and Assumption Agreement, duly executed by Purchaser;
 - 2.3.4 the ONP Supply Agreement and the OCC Supply Agreement, in each case duly executed by Purchaser;
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- 2.3.5 the Transitional Services Agreement, duly executed by Purchaser;
- 2.3.6 required Arizona and local real estate and other filings, including the Real Property Affidavit;
- 2.3.7 evidence of the unconditional and irrevocable release of Seller and its Affiliates (other than Apache) under the letter of credit set forth on Schedule 2.3.7, or if Purchaser, despite using commercially reasonable efforts, is unable to obtain such release at or prior to the Closing, a letter of credit in form and substance acceptable to Seller, acting reasonably, in an amount of no less than the amount of the obligations guaranteed pursuant to the letter of credit set forth on Schedule 2.3.7, provided, however, that Purchaser shall continue to use commercially reasonable efforts after the Closing to obtain such release;
- 2.3.8 the Stone Container Assignment, duly executed by Purchaser;
- 2.3.9 the Pension Plans Assignment and Assumption Agreement, duly executed by Purchaser;
- 2.3.10 the Welfare Benefit Plans Assignment and Assumption Agreement, duly executed by Purchaser;
- 2.3.11 each Arizona Lease Assignment and Assumption Agreement, in each case together with an Arizona Lease Application Form, each duly executed and completed by Purchaser;
- 2.3.12 the certificate required pursuant to Section 7.3.4;
- 2.3.13 copies of the signed Amendment Applications (the “**APP Amendment Applications**”) to be filed promptly after the Closing to transfer to Purchaser the Aquifer Protection Permits listed as items 16, 17, 18 and 19 on Schedule 3.17(a) as contemplated by Section 5.4.2; and
- 2.3.14 such other agreements, documents and instruments as are contemplated to be delivered by Purchaser at the Closing pursuant to this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the attached Schedules, Seller represents and warrants to Purchaser as at the Effective Date as set forth in this Section 3. For the purposes of the representations and warranties of Seller contained herein, disclosure in any of the Schedules attached hereto of any facts or circumstances shall be deemed to be an adequate response and disclosure of such facts or circumstances with respect to all representations or warranties by Seller calling for disclosure of such information, whether or not such disclosure is specifically associated with or purports to respond to one or more or all of such representations or warranties, provided that, and only to the extent that, the relevance of the fact or circumstance so disclosed to the applicable representation or warranty is readily apparent. The inclusion of any information in any Schedule or other document delivered or made available by Seller pursuant to this Agreement or the other Operative Agreements, including the specification of any dollar amount, shall not be deemed to be an admission or evidence of the materiality of such item or amount, nor shall it establish a standard of materiality for any purpose whatsoever. Notwithstanding anything herein contained, except for the representations and warranties in Sections 3.1, 3.2 and 3.15, all of the

representations and warranties of Seller are limited, insofar as they relate to Seller (and not to Apache), to the extent to which they apply to the Newsprint Business or the Newsprint Assets, as applicable.

3.1 Organization of Seller and Apache and Ownership of Apache Shares.

3.1.1 Each of Seller and Apache is duly organized, validly existing and in good standing under the laws of its state of incorporation and Seller is qualified to transact business and is in good standing in the State of Arizona. Each of Seller and Apache is qualified to do business as a foreign corporation in each jurisdiction where the conduct of the Newsprint Business or Railway Business, as applicable, would require it to be so qualified or licensed except where the failure to be so qualified would not have a Material Adverse Effect. Seller has all requisite corporate power and corporate authority to own, lease and operate the Newsprint Assets and carry on the Newsprint Business. Apache has all requisite corporate power and corporate authority to own, lease and operate its assets and properties and to carry on the Railway Business.

3.1.2 The number of authorized, issued and outstanding shares of capital stock of Apache is set forth on Schedule 3.1.2. All of the Apache Shares (i) have been duly authorized and validly issued, (ii) are fully paid and non-assessable, (iii) have not been issued in violation of preemptive rights, and (iv) are owned of record and beneficially solely by Seller free and clear of any Encumbrances, and Seller has good and valid title to the Apache Shares. There is no outstanding option, warrant, convertible security, arrangement, commitment or other Contract relating to the issued or unissued equity interests of Apache that gives any Person the right to purchase or receive an equity interest in Apache. The Apache Shares represent one hundred percent (100%) of the issued and outstanding capital stock of Apache.

3.1.3 Apache does not own, directly or indirectly, any equity interest in any Person.

3.2 Power and Authority.

Seller has the necessary corporate power and authority to execute and deliver this Agreement and the other Operative Agreements to which it is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and the other Operative Agreements to which it is a party, the performance by Seller of its obligations hereunder and thereunder, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action. This Agreement and each of the other Operative Agreements to which Seller or an Affiliate of Seller is a party (when such other Operative Agreements are executed and delivered by Seller or such Affiliate of Seller) have been duly and validly executed and delivered by Seller. This Agreement and each of the other Operative Agreements to which Seller or an Affiliate of Seller is a party (when such other Operative Agreements are executed and delivered by Seller or such Affiliate of Seller) constitute the legal, valid and binding obligation of Seller or such Affiliate of Seller, enforceable against Seller or such Affiliate of Seller in accordance with their respective terms, in each case subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights and to general equity principles.

3.3 No Violation.

The execution and delivery by Seller of this Agreement and the other Operative Agreements to which it is a party, the performance by Seller of its obligations under this Agreement and such Operative Agreements and the consummation of the transactions contemplated hereby and thereby do not and will not:

- 3.3.1 result in a violation or breach of any of the terms, conditions or provisions of the organizational documents of Seller or of Apache;
- 3.3.2 result in a violation or breach of any term or provision of any applicable law, injunction, agreement or decree;
- 3.3.3 except as disclosed on Schedule 3.3.3, (i) result in a violation or breach of, (ii) constitute a default under, (iii) require Seller or Apache to obtain any permit, authorization, consent, approval or action of, or make any filing with or give any notice to, any Person as a result or under the terms of, or (iv) result in or give to any Person including any Governmental Entity any right of first offer, first refusal, option, termination, cancellation, acceleration or modification in or with respect to, or under, any Contract included within the Newsprint Assets or to which Apache is a party or an obligor; or
- 3.3.4 result in the creation or imposition of any Encumbrance (other than Permitted Liens) upon any of (i) the Newsprint Assets, (ii) the Apache Shares or any of Apache's assets or (iii) any Contract included within of the Newsprint Assets or to which Apache is a party or an obligor, except for, in the case of Sections 3.3.2, 3.3.3 and 3.3.4 above, those that, in each case or collectively, (i) would not have a Material Adverse Effect and (ii) has not and would not reasonably be expected to, individually or in aggregate, materially and adversely affect the ability of Seller to consummate the transactions contemplated by this Agreement and the other Operative Agreements.

3.4 Financial Statements.

- 3.4.1 Attached hereto as Schedule 3.4.1 are true and complete copies of the unaudited balance sheets for the Newsprint Business as at December 31, 2007 and December 31, 2006 and statements of operations for the Newsprint Business for the years ended December 31, 2007, December 31, 2006, and December 31, 2005 (the "**Newsprint Financial Statements**"). Except as set forth in the notes thereto, except as disclosed on Schedule 3.5, and except that the statements of operations included in the Newsprint Financial Statements have been prepared on a pre-Income Tax basis and the balance sheets contained in the Newsprint Financial Statements do not reflect any liabilities for Income Taxes, the Newsprint Financial Statements were prepared in accordance with GAAP and fairly present in all material respects the financial condition and results of operations of the Newsprint Business as of the dates thereof and for the periods covered thereby.
 - 3.4.2 Attached hereto as Schedule 3.4.2 are true and complete copies of the unaudited balance sheets for Apache as at December 31, 2007 and December 31, 2006 and
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statements of operations for Apache for the years ended December 31, 2007, December 31, 2006, and December 31, 2005 (the “**Apache Financial Statements**”). Except as set forth in the notes thereto, and except as disclosed on Schedule 3.5, the Apache Financial Statements were prepared in accordance with GAAP and fairly present in all material respects the financial condition and results of operations of Apache as of the dates thereof and for the periods covered thereby.

3.4.3 Since the date of the latest balance sheet included in the Financial Statements (the “**Balance Sheet Date**”), except as set forth on Schedule 3.4.3 and except as set forth on Schedule 3.19, Seller has conducted the Newsprint Business and Apache has conducted the Railway Business only in the ordinary course of business and there has not occurred any event with respect to the Newsprint Business or the Apache Business that would have a Material Adverse Effect.

3.4.4 The books and records of each of the Newsprint Business and Apache are in all material respects correct and complete, are maintained in accordance with good business practice and all applicable laws, and fairly reflect in all material respects all of the transactions and operations that are or should be therein described.

3.5 No Undisclosed Liabilities.

Except for the liabilities and obligations set forth on the Financial Statements, as incurred since the Balance Sheet Date in the ordinary course of business or as disclosed on Schedule 3.5, there are no liabilities of, relating to or affecting Apache or the Newsprint Business of the type that would be required to be set forth in a financial statement prepared in accordance with GAAP.

3.6 Legal Proceedings.

Except as disclosed on Schedule 3.6:

3.6.1 there are no Actions pending or, to the Knowledge of Seller, threatened against, relating to or affecting the Newsprint Assets or Apache that, if adversely determined, would have a Material Adverse Effect;

3.6.2 there is no order, writ, judgment, award, injunction, agreement or decree of any Governmental Entity of competent jurisdiction or any arbitrator or arbitrators outstanding against, relating to or affecting the Newsprint Assets or Apache other than those that would not have a Material Adverse Effect; and

3.6.3 there are no Actions pending or, to the Knowledge of Seller, threatened against Seller or any of its Affiliates, or otherwise relating to or affecting Seller, the Newsprint Assets or Apache that would result in the issuance of an order restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by this Agreement or any of the other Operative Agreements.

3.7 Compliance With Laws and Orders.

Except as disclosed on Schedule 3.7, (i) Seller (as it relates to the Newsprint Business) complies with all applicable laws (excluding, for the purposes of this Section 3.7, ERISA, Environmental Laws, labor laws and Tax laws which are specifically covered in this Section 3) and (ii) Apache

complies with all applicable laws (excluding, for the purposes of this Section 3.7, ERISA, Environmental Laws, labor laws and Tax laws which are specifically covered in this Section 3), except for such non-compliance as would not have a Material Adverse Effect. Since January 1, 2005, neither Seller nor Apache received any written communication from a Governmental Entity that alleged that Seller (as it relates to the Newsprint Business) or Apache is not in compliance with any federal, state, foreign or local laws, rules and regulations, except to the extent any instances of non-compliance would not have a Material Adverse Effect.

3.8 Tax Matters.

- 3.8.1 All material Tax Returns required to be filed for tax years beginning after December 31, 2003 (i) by Seller with respect to the Newsprint Business and (ii) by or with respect to Apache have been timely filed. All such Tax Returns were correct and complete in all material respects. For tax years beginning after December 31, 2003, all material Taxes owed by Seller with respect to the Newsprint Business and, for all tax years for which the relevant statute of limitations has not yet expired, all material Taxes owed by Apache (in each case whether or not shown on any Tax Return) have been paid or adequate reserves (in conformity with GAAP consistently applied) have been established in the Financial Statements for the payment of such Taxes.
 - 3.8.2 There are no Encumbrances for Taxes (other than Taxes not yet due and payable) upon any of the Newsprint Assets, the Apache Shares, or the assets of Apache. For tax years beginning after December 31, 2003, Seller with respect to the Newsprint Business and, for all tax years for which the relevant statute of limitations has not yet expired, Apache, have each withheld and paid all material Taxes required to be withheld and paid in connection with amounts paid and owing to any employee, independent contractor, creditor, stockholder or other third party (whether domestic or foreign).
 - 3.8.3 Apache does not have any liability for the Taxes of any Person (i) for any tax period beginning on or after January 1, 1998, under Treasury Regulation §1.1502-6 (or any similar provision of state, local, or foreign law) other than as a member of any Affiliated Group of which any of AbitibiBowater Inc., Donohue Corp., or Abitibi-Price Corporation were the parent, or (ii) as a transferee or successor or, by contract.
 - 3.8.4 Apache was included in a consolidated federal Income Tax Return that also included Seller for the taxable year immediately preceding the current taxable year, and will continue to be included in such Tax Return through the Closing Date.
 - 3.8.5 Except as disclosed on Schedule 3.8.5, there is no action, suit, proceeding, audit, investigation or claim pending or, to the Knowledge of Seller, threatened concerning any material Tax liability of Seller with respect to the Newsprint Assets, Newsprint Business or Apache that has been raised by any Taxing Authority, nor has any material deficiency or claim for any such Taxes been proposed, asserted or, to the Knowledge of Seller, threatened. Neither Seller with respect to the Newsprint Business or Newsprint Assets nor Apache has waived any statute of limitations in respect of any material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency.
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- 3.8.6 The representations and warranties contained in this Section 3.8 are the only representations and warranties made by Seller with respect to matters arising under Tax law.
- 3.9 Benefit Plans; ERISA.
- 3.9.1 Except for Seller's equity compensation plans, all Benefit Plans are listed on Schedule 3.9.1(a). Except as provided on Schedule 3.9.1(b), with respect to each Benefit Plan, Seller or Apache has heretofore made available to Purchaser, true and complete copies of the following documents: (i) a copy of each written Benefit Plan; (ii) a copy of the most recent summary plan description required under ERISA with respect thereto; (iii) if the Benefit Plan is funded through a trust or any third party funding vehicle, a copy of the trust or other funding agreement and the latest Form 5500, if applicable; and (iv) the most recent determination letter received from the IRS with respect to each Benefit Plan intended to qualify under Section 401(a) of the Code.
- 3.9.2 Except as disclosed on Schedule 3.9.2:
- (a) Seller and Apache are members of a controlled group as defined in 430(k)(6)(C) of the Code. All contributions required under Sections 412 and 430 of the Code to each Benefit Plan have been made;
 - (b) neither Apache, nor Seller with respect to the Newsprint Business, nor any ERISA Affiliate of Apache or of Seller with respect to the Newsprint Business, has filed a notice of intent to terminate any single-employer defined benefit pension plan or has adopted an amendment to treat a single-employer defined benefit pension plan as terminated, nor has such a plan been terminated by Apache, Seller, any ERISA Affiliate of Apache or of Seller or the PBGC;
 - (c) neither Apache, nor Seller with respect to the Newsprint Business, nor any ERISA Affiliate of Apache or of Seller with respect to the Newsprint Business, has withdrawn from any multiemployer plan with respect to which there is any current outstanding liability; and
 - (d) since January 1, 2005, all contributions to Benefit Plans that were required to be made under such Benefit Plans have been made and prior to January 1, 2005 all material contributions to Benefit Plans that were required to be made under such Benefit Plans have been made.
- 3.9.3 Each Benefit Plan has been operated and administered in all material respects in accordance with its terms and applicable laws, including ERISA and the Code.
- 3.9.4 Except as set forth on Schedule 3.9.4, each Benefit Plan intended to qualify under Section 401 of the Code is, and since its inception has been, so qualified and a determination letter (or notification letter in the case of a prototype plan) has been issued by the IRS to the effect that each such Benefit Plan is so qualified.
- 3.9.5 Except as expressly otherwise provided in Sections 6.2 and 6.3, and except as disclosed on Schedule 3.9.5, the execution of, and performance of the transactions contemplated by this Agreement will not (either alone or to the Knowledge of Seller upon the
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occurrence of any additional or subsequent events) constitute an event under any Benefit Plan, trust or loan that will or would be reasonably be expected to result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Newsprint Employee or Apache Employee.

- 3.9.6 There are no pending or, to the Knowledge of Seller, threatened actions, suits, arbitrations or claims with respect to any Benefit Plan, other than routine claims for benefits by any current or former Newsprint Employee or Apache Employee against Seller, Apache or any Benefit Plan.
- 3.9.7 Seller in respect of Newsprint Employees and Apache have no liability, actual or contingent, by reason of any employee who was improperly excluded from participating in any Benefit Plan.
- 3.9.8 Except as set forth on Schedule 3.9.8, (i) neither Seller, Apache nor any Benefit Plan has received written notice, nor to the Knowledge of Seller, oral notice, that Seller in respect of Newsprint Employees, Apache, or any Benefit Plan is under audit or investigation or similar proceeding by the IRS, the Department of Labor, the PBGC or other governmental authorities, and (ii) to the Knowledge of Seller, no such audit, investigation, or proceeding is threatened.
- 3.9.9 With respect to the Multiemployer Plan, in its three (3) most recently completed plan years, there has not been a "contribution decline" or "partial cessation" (as each is defined in Section 4205 of ERISA) with respect to Seller or any of its ERISA Affiliates.
The representations and warranties contained in this Section 3.9 and in Section 3.14 are the only representations and warranties made by Seller with respect to matters arising under ERISA or concerning Benefit Plans.

3.10 Real Property.

- 3.10.1. Schedule 3.10.1(a) contains a complete and accurate description of all Owned Real Property (including a legal description that is accurate in all material respects) and all Encumbrances thereon. The Owned Real Property constitutes all of the real property owned (i) by Apache or (ii) by Seller with respect to the Newsprint Business. Except as disclosed on Schedule 3.10.1(b), Seller or Apache has good, marketable, undivided, insurable fee simple title to the Owned Real Property, free and clear of any Encumbrances other than Permitted Liens.
 - 3.10.2. Except as set forth on Schedule 3.10.2, each Real Property Lease is a legal, valid and binding Contract of Seller or Apache, as applicable, and to the Knowledge of Seller, of the other parties thereto; provided that no representation or warranty is made as to any Contract that is not in writing and fully executed by all parties thereto or where the term thereof has expired, in each case to the extent set forth on Schedule 3.10.2. Except for such defaults as would not have a Material Adverse Effect, there is no existing default under any Real Property Lease (i) by Seller or Apache, or (ii) to the Knowledge of Seller, by the other parties thereto.
 - 3.10.3. Except as set forth on Schedule 3.10.3:
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- (a) to the Knowledge of Seller, the legal descriptions of the Owned Real Property contained in the Title Commitment describe the Owned Real Property fully and adequately;
 - (b) except as otherwise indicated in the Surveys (i) all Structures are located within the boundary lines of Owned Real Property and no buildings, structures, fixtures, facilities, or improvements to any parcel adjacent to the Owned Real Property encroach onto any portion of the Owned Real Property and (ii) the Structures do not encroach on any easement which burdens any portion of the Owned Real Property;
 - (c) none of the Owned Real Property serves any adjacent parcel for any purpose inconsistent with the use of the Owned Real Property or otherwise encroaches upon the real property of any Person, except where such inconsistencies or encumbrances would not have a Material Adverse Effect;
 - (d) Seller or Apache has legal rights of physical and legal ingress and egress to and from the Owned Real Property from and to adjoining streets and roads and, to the Knowledge of Seller, no conditions exist that would result in the termination of such ingress and egress;
 - (e) the Owned Tangible Real Assets are (i) free of defects that would not be considered reasonably customary or reasonably expected for assets of a similar age and use as the Owned Tangible Real Assets and that would have a Material Adverse Effect, and (ii) fit for the particular purpose for which they are used, and no maintenance or repair to the Owned Real Property or any Owned Tangible Real Asset has been unreasonably deferred other than such of the foregoing that would not have a Material Adverse Effect;
 - (f) all gas, electric, telephone, communications and all other utilities required by any applicable law or by the use and operation of the Owned Real Property in the operation of the Businesses, are connected to municipal or public or other utility services, are adequate to and usable by the Owned Real Property and to service the Owned Real Property in the operation of the Businesses in the ordinary course of business and to permit compliance, in all material respects, with the requirements of all applicable laws in the operation of the Businesses;
 - (g) the Owned Real Property and all present uses and operations of the Owned Real Property comply, in all material respects, with all applicable laws, court orders, governmental permits, or restrictions of any Governmental Entity having jurisdiction over any portion of the Owned Real Property, including those related to zoning, land use, and access by the handicapped, covenants, conditions, restrictions, easements, disposition Contracts, and similar matters affecting the Owned Real Property;
 - (h) there are no pending, or to the Knowledge of Seller, threatened, condemnation, fire, health, safety, building, zoning, or other land use regulatory proceedings, lawsuits, or administrative actions relating to any portion of the Owned Real Property or any other matters that do or would have a Material Adverse Effect, nor has Seller or Apache received written notice of any pending or threatened
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special assessment proceedings affecting any portion of the Owned Real Property;

- (i) since January 1, 2005, no portion of the Owned Real Property or the Structures has suffered any material damage by fire or other casualty that has not heretofore been repaired and restored in all material respects;
 - (j) except as may be a Permitted Lien, there are no outstanding options, rights of first offer, or rights of first refusal or other similar Contracts or rights to purchase or lease the Owned Real Property (other than as contained in the Snowflake Lease), or any portion thereof or interest therein, other than this Agreement;
 - (k) no Violations exist at the Owned Real Property, except such Violations that would not have a Material Adverse Effect; and
 - (l) to the Knowledge of Seller, since January 1, 2005, no third party has requested permission to enter the Real Property pursuant to a statutory or contractual right for the purpose of extracting oil, gases, geothermal resources, coal, ores, minerals, fertilizer, fossils or any similar commodity.
- 3.10.4. Except as set forth on Schedule 3.10.4, to the Knowledge of Seller, the Newsprint Water Rights include all necessary water rights required to continue the Businesses on the Owned Real Property, and all charges, filings, registrations and assessments related thereto have been made and are current.
- 3.10.5. Except as set forth on Schedule 3.10.5 or as would not have a Material Adverse Effect, the Owned Real Property is not located within any water conservation, irrigation, soil conservation, weed or insect abatement or other similar district, or any special improvement district and the Owned Real Property is not within a flood control district.
- 3.10.6. To the extent that any wells are located on the Owned Real Property (the "**Wells**"), Seller has not received any written notice from ADWR that such Wells require meters under the requirements of ADWR.
- 3.10.7. To the Knowledge of Seller, (a) no historical or archaeological materials or artifacts of any kind or any Indian ruins of any kind located on the Owned Real Property interfere in any material respect with the operation of either Business and (b) no third party has made a claim against Seller or Apache with respect to any such materials, artifacts or ruins on any parcel of the Owned Real Property on which any Owned Tangible Real Asset is located nor has any such claim been made on any other parcel of the Owned Real Property since January 1, 2006.
- 3.10.8. The Encumbrances contained on Schedule 3.10.8 do not, in the aggregate, have a material adverse effect on either of the Businesses.
- 3.11 Equipment.
- 3.11.1 Except as set forth on Schedule 3.11.1, all of the Equipment (excluding Inventory for purposes of this Section 3.11) is operational, usable in the ordinary course of business, and conforms, in all material respects, with any applicable laws relating to its
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construction, use and operation; provided that no representation or warranty is made as to any Equipment that individually or in the aggregate is not material to either of the Businesses. To the Knowledge of Seller, there are no facts or conditions affecting any Equipment that could reasonably be expected, individually or in the aggregate, to interfere in any material respect with the operation of the Businesses.

- 3.11.2 Except as set forth on Schedule 3.11.2, each Equipment Lease is a legal, valid and binding Contract of Seller or Apache, as applicable, and to the Knowledge of Seller, of the other parties thereto; provided that no representation or warranty is made as to any Contract that is not in writing and fully executed by all parties thereto or where the term thereof has expired, in each case to the extent set forth on Schedule 3.11.2. Seller or Apache, as applicable, is not in default under any Equipment Lease, except for such defaults as would not have a Material Adverse Effect. Since January 1, 2005, neither Seller nor Apache has received any written communication from, or given any written communication to, any other party indicating that there is a default under any Equipment Lease. To the Knowledge of Seller, (i) none of the other parties to any Equipment Lease is in default thereunder, except for such defaults that would not have a Material Adverse Effect and (ii) each such Equipment Lease is enforceable against the other parties thereto in accordance with the terms thereof.
- 3.11.3 Except as set forth on Schedule 3.11.3 and the products and services described in Section 5.10, when taken together with any assets, services or rights to be provided by Seller or its Affiliates pursuant to the ONP Supply Agreement, the OCC Supply Agreement and the Transitional Services Agreement, the Newsprint Assets, the Apache Shares and the assets of Apache constitute all the assets that will be necessary for Purchaser to continue to operate and conduct the Newsprint Business immediately following the Closing in all material respects as currently conducted.
- 3.12 Intellectual Property Rights.

The Intellectual Property Assets constitute the only intellectual property of Seller, Apache or any third party material to the current conduct of the Businesses, other than the Excluded Intellectual Property. Except as set forth on Schedule 3.12(a), each of the Newsprint Intellectual Property Licenses is a legal, valid and binding Contract of Seller or Apache, as applicable, and to the Knowledge of Seller, of the other parties thereto, and there is no existing default of Seller or Apache, as applicable, or to the Knowledge of Seller, of the other parties thereto in any material respect under any such Newsprint Intellectual Property License; provided, that, no representation or warranty is given as to any Contract that is not in writing and fully executed by all parties thereto or where the term thereof has expired, to the extent set forth on Schedule 3.12(a). Except as disclosed on Schedule 3.3, each Newsprint Intellectual Property License is assignable by Seller to Purchaser without consent of any third party. No action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand against Seller or any Affiliate of Seller (in either case in connection with the Newsprint Business) or Apache is pending or, to the Knowledge of Seller, is threatened which challenges the legality, validity, enforceability, use or ownership of any of the Intellectual Property Assets in connection with the Businesses. Except as disclosed on Schedule 3.12(b), neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will impair or alter in any material respect any rights in the Intellectual Property Assets.

3.13 Material Contracts.

3.13.1 Except for the BCBSA Contract, Schedule 3.13.1 contains a true and complete list of each Contract to which Seller or Apache is a party or by which Seller or Apache is bound (and in the case of Seller, that relates to the Newsprint Business) that:

- (a) provides for the sale or supply of products (including purchase orders and sale orders) or performance of services, and provides for aggregate future payments in respect of the Newsprint Business or Apache of more than \$500,000 on an annual basis, provided, however, that any Contract for the sale of newsprint (other than the Newsprint Customer Orders) shall not be included on Schedule 3.13.1 and shall be an Excluded Contract;
 - (b) provides for the future purchase of, or payment for, supplies or products from a third party, the lease of any real or personal property from or to a third party, or the performance of services by a third party, and in each case provides for aggregate future payments in respect of the Newsprint Business or Apache of more than five hundred thousand Dollars (\$500,000) on an annual basis;
 - (c) is a Contract to operate for any other party any real or personal property, and provides in each case for aggregate future payments in respect of the Newsprint Business or Apache of more than five hundred thousand Dollars (\$500,000) on an annual basis;
 - (d) is a Collective Bargaining Agreement;
 - (e) is with respect to a partnership or joint venture;
 - (f) limits the right of Apache or the Newsprint Business to engage in any type or line of business, conduct business in any geographical area or with any Person or to solicit for hire or hire any Person, or would limit the right of Purchaser or any of its Affiliates to do any of the foregoing;
 - (g) contains a "most favored nation" pricing agreement in favor of a customer;
 - (h) is an agreement for (i) the employment of any employee or with respect to the compensation of any employee or consultant employed or retained by Seller or Apache that in any such case provides for base compensation (or payment in the case of consultants) in excess of one hundred fifteen thousand Dollars (\$115,000) per annum and is not terminable-at-will (without payment other than for service rendered up to the date of termination) or (ii) severance of any employee or consultant of Seller or Apache that provides for severance or other compensation in an amount exceeding one third ($\frac{1}{3}$) of the annual compensation of such employee or consultant;
 - (i) is a note, debenture, bond, conditional sale Contract, equipment trust Contract, letter of credit Contract, reimbursement Contract, loan Contract or other Contract for the borrowing or lending of money (including loans to or from officers or directors but excluding advances to officers, directors or employees consistent with past
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practice), a Contract for a line of credit or for a guarantee of, or other undertaking in connection with, the indebtedness of any other Person;

- (j) is a Contract for any capital expenditure or leasehold improvement, and provides for aggregate future payments in respect of the Newsprint Assets or Apache of more than five hundred thousand Dollars (\$500,000) on an annual basis; and
 - (k) is a Contract creating an Encumbrance on the Newsprint Assets or the assets of Apache (except for Permitted Liens), excluding leases, (those Contracts set forth on Schedule 3.13.1, together with the Operating and Management Agreement, the Snowflake Lease and any other Contracts required to be set forth on Schedule 3.13.1 (excluding, however, the BCBSA Contract) are collectively referred to as the "**Material Contracts**").
- 3.13.2 Seller has delivered or made available to Purchaser complete and correct copies of all written Material Contracts and accurate descriptions of all material terms of all unwritten Material Contracts.
- 3.13.3 Except as set forth on Schedule 3.13.3(a), each Material Contract is a legal, valid and binding Contract of Seller or Apache, as applicable, and to the Knowledge of Seller, the other parties thereto; provided that no representation or warranty is given as to any Contract that is not in writing and fully executed by all parties thereto or where the term thereof has expired, in each case to the extent set forth on Schedule 3.13.1. Seller or Apache, as applicable, is not in default under any Material Contract, except for such defaults as would not have a Material Adverse Effect. Since January 1, 2005, except as set forth on Schedule 3.13.3(b), neither Seller nor Apache has received any written communication from, or given any written communication to, any other party indicating that there is a material default under any Material Contract. Except as set forth on Schedule 3.13.3(c), to the Knowledge of Seller, (i) none of the other parties to any Material Contract is in default thereunder, except for such defaults that would not have a Material Adverse Effect and (ii) each such Material Contract is enforceable against the other parties thereto in accordance with the terms thereof; provided that no representation or warranty is given as to any Contract that is not in writing and fully executed by all parties thereto or where the term thereof has expired, in each case to the extent set forth on Schedule 3.13.1.
- 3.14 Employees; Labor Relations.
- 3.14.1 Schedule 3.14.1 contains a list of the name of each employee (i) of Apache and (ii) of Seller in the current conduct of the Newsprint Business, as at the date indicated therein.
- 3.14.2 Except as set forth on Schedule 3.14.2, there are no pending, or to the Knowledge of Seller, threatened labor disputes, proceedings or Actions, including any charges of unfair labor practices within the meaning of applicable labor relations legislation, strikes, slowdowns, picketing, work stoppages, lock-outs, hand billings, boycotts, arbitrations, charges or similar labor related disputes or proceedings pertaining to Seller or Apache by or with respect to any Newsprint Employees or Apache Employees or by any labor union, council of labor unions, employee bargaining agency or affiliated bargaining agent on behalf of any Newsprint Employee or Apache Employee. Except as
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disclosed on Schedule 3.14.2, (a) to the Knowledge of Seller, no Newsprint Employee or Apache Employee is represented by a labor union, (b) Seller is not a party to, or otherwise subject to, any collective bargaining agreement or other labor union contract, (c) no petition has been filed or proceeding instituted since January 1, 2003 by a Newsprint Employee or Apache Employee, or group of such employees, with any labor relations board seeking recognition of a bargaining representative, and (d) there are no pending, or to the Knowledge of Seller, threatened organizing activities by or on behalf of any trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent, with respect to any employees of Seller.

- 3.14.3 Since January 1, 2005, and to the Knowledge of Seller, prior to January 1, 2005, except as set forth on Schedule 3.14.3, Seller has arbitrated no material dispute with any labor union representing Newsprint Employees or Apache Employees.
- 3.14.4 Except as set forth on Schedule 3.14.4, Seller has not entered into any written agreement with any labor union representing Newsprint Employees or Apache Employees which materially modifies any Collective Bargaining Agreement.
- 3.14.5 Except as set forth on Schedule 3.14.5, no Newsprint Employees or Apache Employees covered by a Collective Bargaining Agreement are on layoff status or to the Knowledge of Seller scheduled or otherwise planned to be transferred to layoff status.
- 3.14.6 Seller represents and agrees that it has fulfilled (or will fulfill prior to the Closing) relating to the transactions contemplated by this Agreement, all of its material legal and contractual obligations to all labor unions that represent Newsprint Employees and Apache Employees.
- 3.14.7 Seller in respect of Newsprint Employees and Apache (i) are in compliance in all material respects with all applicable laws respecting employment, overtime pay and wages and hours, (ii) have withheld all material amounts required by law or by agreement to be withheld from the wages, salaries and other payment to the Newsprint Employees and Apache Employees, as applicable and (iii) are not liable for or in arrears with respect to wages or any taxes or any penalty for failure to comply with any of the foregoing.

3.15 Brokers.

Other than Scotia Capital Inc., no agent, broker, finder, investment banker, financial advisor or other similar Person will be entitled to any fee, commission or other compensation in connection with any of the transactions contemplated by this Agreement or any of the other Operative Agreements on the basis of any act or statement made by Seller, Apache or any of their Affiliates (the fees of Scotia Capital Inc. being solely the responsibility of Seller).

3.16 Title.

- 3.16.1 Except as disclosed on Schedule 3.16.1, (i) Seller has good and transferable title to, valid leasehold interests in, or valid licenses to use all of the Newsprint Assets (excluding for this purpose the Newsprint Owned Real Property, which is covered by Section 3.10), free of any Encumbrances (other than Permitted Liens) and (ii) the Newsprint Assets (excluding for this purpose the Newsprint Owned Real Property,
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which is covered by Section 3.10) are not subject to any Encumbrances other than Permitted Liens, except for such title defects and/or Encumbrances that would not have a Material Adverse Effect.

3.16.2 Except as disclosed on Schedule 3.16.2, Apache has good and transferable title to, valid leasehold interests in or valid licenses to use all of its material assets (excluding for this purpose the Apache Owned Real Property which is covered by Section 3.10), in each case free and clear of all Encumbrances other than Permitted Liens.

3.17 Permits.

Apache and Seller (in the current conduct of the Newsprint Business) (i) hold all Permits necessary or required by applicable law to be held by Apache and Seller to conduct their respective Businesses; (ii) have made all appropriate filings for issuance or renewal of such Permits, and (iii) are in compliance with (and have complied at all times since January 1, 2005 with) any and all obligations required to be met to obtain or renew any such Permit (and no material capital expenditures are reasonably expected to be required to be made under current applicable laws and regulations (including enacted but not yet effective laws) during the two (2) years following the Effective Date in order to be in such compliance or to meet such obligations), except where the failure to have such Permits or the failure to be in such compliance would not have a Material Adverse Effect. All Permits necessary to conduct the Businesses are set forth on Schedule 3.17(a), other than Permits the failure of which to have is not, individually or in the aggregate, material to the Newsprint Business or Apache, as the case may be (the "**Material Permits**"). Since January 1, 2005, neither Seller nor Apache has received written notice of any proceeding threatening the validity of, or alleging noncompliance with, any Material Permit. There are no defects in any Permit that individually or in the aggregate would be material to the Newsprint Business or Apache, as the case may be, and following the Closing, Seller will not undertake, directly or indirectly, any challenges to, any Permits relating to the operation of the Newsprint Assets or Apache. Schedule 3.17(b) sets forth a list of those Material Permits of Seller that cannot be transferred, assigned or conveyed to Purchaser prior to the Closing pursuant to the terms of such Material Permits or as a result of applicable law.

3.18 Environmental Matters.

Except as set forth on Schedule 3.18, (i) Seller conducts the Newsprint Business and Apache conducts the Railway Business in compliance in all material respects with all currently applicable Environmental Laws and Permits issued pursuant to Environmental Law and neither Seller nor Apache has received any written notice from any Governmental Entity or third party alleging that Seller or Apache is not in material compliance with any Environmental Law, which alleged noncompliance (and any associated penalties, liabilities or other obligations) remains unresolved, or remediation or other corrective action has not been taken and paid for; (ii) there are no Actions pending or, to the Knowledge of Seller, threatened against Seller (or, to the Knowledge of Seller, any predecessor of Seller) in connection with the Newsprint Business or Apache (or any predecessor entity of Apache) in connection with the Railway Business based on, arising out of, or relating to any Environmental Law, and neither Seller nor Apache are subject to any material outstanding order, writ, judgment, award, injunction or decree of any Governmental Entity or any arbitrator or arbitrators, in each case based on, arising out of, or relating to Environmental Law; (iii) there is no contamination of, and there have been no Releases or, to the Knowledge of Seller, threatened Releases of Hazardous Substances at the Real Property or, to the Knowledge of Seller, any real property formerly owned, leased or operated by Seller (or any predecessor of Seller) in

connection with the Newsprint Business or Apache (or any predecessor entity of Apache) in connection with the Railway Business, in each case, requiring investigation or remediation under any Environmental Laws that has not been addressed to the satisfaction of all Governmental Entities with oversight responsibility therefor; (iv) neither Seller (nor, to the Knowledge of Seller, any predecessor of Seller) in connection with the Newsprint Business nor Apache (nor, to the Knowledge of Seller, any predecessor entity of Apache) in connection with the Railway Business has used any waste disposal site, or otherwise disposed of, transported, or arranged for the transportation of, any Hazardous Substances to any place or location (a) in violation of any Environmental Laws, (b) to the Knowledge of Seller, listed on the National Priorities List or any comparable list of state sites, or (c) in a manner that has given or would reasonably be expected to give rise to material liabilities pursuant to any Environmental Laws; (v) to the Knowledge of Seller, there are no past or present conditions, events, circumstances, facts, activities, practices, incidents, actions, omissions or plans that are reasonably expected to give rise to any material liability on Seller in connection with the Newsprint Business or Apache under any Environmental Laws; and (vi) to the extent within its possession or reasonably available to Seller or Apache, Seller has delivered, or made available, to Purchaser true and complete copies and results of all material environmental assessments, material audits and Material Permits, and any other material reports, studies, analyses, tests, or monitoring possessed or initiated by Seller or Apache, in either case, since January 1, 2005 in connection with the Newsprint Business or Apache pertaining to compliance with, or liability under, any Environmental Laws, other than documents for which Seller has a reasonably valid claim of attorney-client or attorney work product privilege; provided that, to the Knowledge of Seller, Seller has disclosed to Purchaser in the due diligence materials made available by Seller any existing material liabilities and obligations arising under Environmental Law. The representations and warranties contained in this Section 3.18 and, insofar as it relates to Permits issued pursuant to Environmental Laws, Section 3.17, are the only representations and warranties made by Seller with respect to matters arising under Environmental Law.

3.19 Absence of Certain Changes.

Except as set forth on Schedule 3.4.3 and except as set forth on Schedule 3.19, since the Balance Sheet Date:

- 3.19.1 there has been no event, change, effect, condition or circumstance that has occurred that, individually or in the aggregate, that would have a Material Adverse Effect;
 - 3.19.2 neither Seller nor Apache has entered into or terminated any Contract outside the ordinary course of business that is or would have been a Material Contract had it not been terminated, except as set forth on Schedule 3.13.1 or Schedule 5.3;
 - 3.19.3 neither Seller (to the extent related to the Newsprint Assets) nor Apache has adopted a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization;
 - 3.19.4 neither Seller nor Apache has acquired, sold, transferred or assigned any assets relating to the Newsprint Business or the Railway Business, as applicable, except in the ordinary course of business consistent with past practice;
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- 3.19.5 neither Seller nor Apache has mortgaged, pledged, or subjected to any Encumbrance (other than Permitted Liens) any Newsprint Asset or any of the Apache Shares in the case of Seller or any of Apache's assets in the case of Apache;
 - 3.19.6 neither Seller, with respect to the Newsprint Assets, nor Apache has sold, assigned or transferred any material patents, trademarks, trade names, copyrights, trade secrets or other intangible assets, except in the ordinary course of business consistent with past practice;
 - 3.19.7 there has been no casualty, loss, damage or destruction (whether or not covered by insurance) of any property which casualty, loss, damage or destruction is, individually or in aggregate, material to the Newsprint Business or Apache or waiver of any rights of material value against any Person;
 - 3.19.8 Apache has not instituted or settled any material legal proceeding and Seller has not instituted or settled any material legal proceeding relating to the Newsprint Business;
 - 3.19.9 other than in the ordinary course of business consistent with past practice, neither Seller (to the extent relating to the Newsprint Business) nor Apache has made any waiver or release of any material claim or right or cancellation of any material debt;
 - 3.19.10 neither Seller nor Apache has (i) made any increase in the compensation payable or to become payable to any director, officer, employee, or agent, nor any other material change in any employment or consulting agreement that would be required to be set forth in Schedule 3.13.1, except in any such case in the ordinary course of business consistent with past practice and changes provided for under the terms of a Benefit Plan or under the terms of a Collective Bargaining Agreement, (ii) entered into any employment, retention, severance, change in control, or similar Contract that would be required to be set forth in Schedule 3.13.1 with any Person, or (iii) established or amended in any material respect any Benefit Plan;
 - 3.19.11 neither Seller (as it relates to the Newsprint Business) nor Apache has allowed or agreed to allow the lapse of any right with respect to any Material Permit;
 - 3.19.12 neither Seller nor Apache has committed or agreed, whether in writing or otherwise, to do any of the foregoing; and
 - 3.19.13 no default occurred under the Snowflake Lease by either the landlord or, to the Knowledge of Seller, the tenant thereunder.
- 3.20 Inventory.

As at the Balance Sheet Date: (i) the Newsprint Inventory consisted of items of usable quality for the purposes of which they were manufactured in all material respects and none of such Newsprint Inventory was damaged or defective or obsolete, in all such cases, except to the extent of any reserves set forth on the Newsprint Financial Statements, (ii) such Newsprint Inventory is recorded in the Newsprint Financial Statements in accordance with GAAP in the manner described in the Newsprint Financial Statements subject to normal year end adjustments and (iii) each write-down of such Newsprint Inventory that should have been made pursuant to GAAP since January 1, 2005 has been made.

3.21 Related Party Transactions.

Schedule 3.21(a) describes each agreement, transaction or series of transactions between Seller (to the extent related to the Newsprint Business) or Apache, on the one hand, and any Related Party, on the other hand, which is currently in effect or which occurred or was in effect at any time since January 1, 2005, that, together with all related agreements, transactions or series of transactions, provides for aggregate future payments of more than five hundred thousand Dollars (\$500,000) on an annual basis. Schedule 3.21(b) sets forth any balance payable to or receivable from such Related Party as of the Effective Date (other than compensation and payments paid in the ordinary course of business and employee benefits paid or provided in the ordinary course of business consistent with past practice pursuant to Benefit Plans disclosed on Schedule 3.9.1(a)) that exceeds five hundred thousand Dollars (\$500,000).

3.22 Customers; Suppliers.

3.22.1 Schedule 3.22.1 sets forth a true, correct and complete list of the ten (10) largest customers (the “**Customers**”) of the Newsprint Business (based on amounts of revenues from the Customers for the twelve (12)-month period ended December 31, 2007), together with the volume of the purchases from the Newsprint Business made by such Customers during such period. To the Knowledge of Seller, as of the Effective Date, none of the Customers has cancelled or otherwise terminated, or threatened in writing to cancel or otherwise terminate its relationship with Seller. To the Knowledge of Seller, as of the Effective Date, no Customer has notified Seller of its intention to materially decrease or materially limit the supplies or materials sold by Seller in the Newsprint Business. Except as set forth in Schedule 3.22.1, neither any Customer has, nor any Newsprint Customer Order includes, any entitlement or right to a rebate based on aggregate annual volumes of newsprint sold to such customer or with respect to such Newsprint Customer Order.

3.22.2 As of the Effective Date, none of the material suppliers to the Newsprint Business has cancelled or otherwise terminated, or threatened in writing to cancel or otherwise terminate its relationship with Seller. No material supplier has notified Seller in writing of its intention to materially decrease or materially limit the supplies or materials sold to Seller.

3.23 Shared Services.

Except as set forth on Schedule 3.23 and except for those products and services described in Section 5.10 and those assets, services or rights to be provided by Seller or its Affiliates pursuant to the Transitional Services Agreement, the ONP Supply Agreement and the OCC Supply Agreement, (i) Seller and its Affiliates do not provide any services to the Businesses, the Newsprint Assets or Apache and (ii) Seller and its Affiliates, on the one hand, and the Newsprint Assets, Apache and the Businesses on the other hand, do not share any real or personal property or other assets which are used in, held for use in, or necessary for the conduct of the Businesses.

3.24 FERC.

The electric cogeneration facility owned and operated by Seller and included in the Newsprint Assets (“**Cogeneration Facility**”) is a “qualifying cogeneration facility” within the meaning of section 3(18)(B) of the Federal Power Act, as amended, and the implementing regulations of

FERC. Since March 17, 2006, all sales of energy, capacity, and ancillary services by Seller from the Cogeneration Facility have been made pursuant to that certain Power Purchase and Sale Agreement by and between Seller and Arizona Public Service Company (APS Contract No. 61977) executed on April 23, 2001.

3.25 Updating Schedules and Defined Terms.

The Schedules and the defined terms herein shall be deemed to be updated to reflect Contracts expressly permitted to be entered into by Seller and any of its Affiliates (including Apache) pursuant to this Agreement, including pursuant to Section 5.3, and actions otherwise approved in writing by Purchaser.

3.26 No Other Representation or Warranty.

The representations and warranties of Seller contained in this Section 3 are the only representations and warranties made by Seller in connection with the transactions contemplated herein or in any other Operative Agreement and, for greater certainty and without limiting the generality of the foregoing, no other representation or warranty, whether express or implied by Seller, is made in connection with, arising out of or relating to the transactions contemplated by this Agreement or in any other Operative Agreement, Purchaser hereby waiving any such other representation or warranty. EXCEPT AS SPECIFICALLY SET FORTH IN THIS SECTION 3, THE BUSINESSES ARE SOLD ON AN "AS IS WHERE IS" BASIS WITH ALL FAULTS AND WITHOUT ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY OTHER WARRANTY OF ANY NATURE WHATSOEVER, EXPRESS OR IMPLIED.

4. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

4.1 Organization.

Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of Canada.

4.2 Power and Authority.

Purchaser has the necessary corporate power and authority to execute and deliver this Agreement and the other Operative Agreements to which it is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and the other Operative Agreements to which it is a party, and the performance by Purchaser of its obligations hereunder and thereunder, have been duly and validly authorized by all necessary corporate action. This Agreement and the other Operative Agreements to which Purchaser is a party (when such other Operative Agreements are executed and delivered by Purchaser) have been duly and validly executed and delivered by Purchaser and constitute legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their respective terms, in each case subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights and to general equity principles.

4.3 No Violation.

Except as set forth on Schedule 4.3, the execution and delivery by Purchaser of this Agreement and the other Operative Agreements to which it is a party, the performance by Purchaser of its obligations under this Agreement and such Operative Agreements and the consummation of the transactions contemplated hereby and thereby do not and will not:

4.3.1 result in a violation or breach of any of the terms, conditions or provisions of the organizational documents of Purchaser;

4.3.2 result in a violation or breach of any term or provision of any applicable law; or

4.3.3 result in a violation or breach of any Contract to which Purchaser is a party;

which, in each case or collectively, would reasonably be expected to materially and adversely affect the ability of Purchaser to consummate the transactions contemplated by this Agreement and the other Operative Agreements.

4.4 Legal Proceedings.

There are no Actions pending or, to the Knowledge of Purchaser, threatened against, relating to or affecting Purchaser or any Affiliate of Purchaser or any of Purchaser's assets or properties that would reasonably be expected to (i) result in the issuance of an order restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or any of the other Operative Agreements or (ii) have a material adverse effect on the financial condition of Purchaser.

4.5 Brokers.

Other than BMO Capital Markets, no agent, broker, finder, investment banker, financial advisor or other similar Person will be entitled to any fee, commission or other compensation in connection with any of the transactions contemplated by this Agreement or any of the other Operative Agreements on the basis of any act or statement made by Purchaser or any of its Affiliates (the fees of BMO Capital Markets being solely the responsibility of Purchaser).

4.6 Investigation by Purchaser; Seller Liability.

4.6.1 Purchaser acknowledges and agrees that it has conducted its own independent investigation, review and analysis of the business, operations, properties, liabilities, results of operations, financial condition and prospects of Apache, the Railway Business and the Newsprint Business, which investigation, reviews and analysis was done by Purchaser and its Affiliates and, to the extent Purchaser deemed appropriate, by Purchaser's representatives. Purchaser acknowledges that it and its representatives have been provided access to the Data Room, and a reasonable amount of time to consider the content of the Data Room, has participated in presentations by Seller's and Apache's management and has visited the Real Property. In entering into this Agreement and the other Operative Agreements, Purchaser acknowledges that it is relying solely upon the aforementioned investigation, review and analysis and not on any representations, warranties, statements or opinions of Seller or its representatives

(except the specific representations and warranties of Seller set forth in Section 3), and Purchaser:

- (a) acknowledges that neither Seller nor any of its directors, officers, shareholders, employees, Affiliates, agents, advisors or representatives makes or has made, nor has it relied on, any oral or written representation or warranty, either express or implied, as to the accuracy or completeness of any of the information (including any estimates, projections, forecasts, operating plans or budgets concerning financial or other information relating to the Businesses) provided or made available to Purchaser or its representatives (including (i) in materials furnished in the Data Room, (ii) in presentations by Seller's or Apache's management or (iii) otherwise), except that the foregoing limitations shall not apply to Seller insofar as it has made the specific representations and warranties set forth in Section 3;
 - (b) agrees, to the fullest extent permitted by law, that none of Seller or any of its directors, officers, employees, shareholders, Affiliates, agents, advisors or representatives shall have any liability, obligation or responsibility whatsoever to Purchaser (including in contract or tort, as a fiduciary, under any applicable law or otherwise) based upon any information (including any estimates, projections, forecasts, operating plans or budgets concerning financial or other information relating to the Businesses) provided or made available, or statements made (including (i) in materials furnished in the Data Room, (ii) in presentations by Seller's or Apache's management or (iii) otherwise), except that the foregoing limitations shall not apply to Seller insofar as it has made the specific representations and warranties set forth in Section 3; and
 - (c) agrees that this is an arm's length transaction in which the parties' undertakings and obligations are limited to the performance of their obligations under this Agreement and the other Operative Agreements, that Purchaser has only a contractual relationship with Seller, based solely on the terms of this Agreement and the other Operative Agreements, and that there is no special relationship of trust or reliance between Purchaser and Seller.
- 4.6.2 As part of Purchaser's agreement to purchase and accept the Newsprint Assets and the Apache Shares, Purchaser unconditionally and irrevocably waives any and all actual or potential rights Purchaser might have against Seller regarding any form of warranty of any kind or type, other than those expressly set forth in this Agreement and the other Operative Agreements. Such waiver includes a waiver of express warranties, implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties against eviction, warranties of occupancy, strict liability rights, and claims of every kind and type, including claims regarding defects that might have been discoverable, claims regarding defects that were not or are not discoverable, product liability claims, product liability type claims, and all other claims whether currently existing or later created or conceived including any claim of strict liability other than those expressly set forth in this Agreement and the other Operative Agreements.
- 4.6.3 Purchaser is acquiring the Apache Shares for investment and not with a view toward, or for sale in connection with, any distribution thereof. Purchaser agrees that the Apache Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under any applicable securities laws, except
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pursuant to an exemption from such registration under such laws. Purchaser is able to bear the economic risk of holding the Apache Shares for an indefinite period, and has knowledge and experience in financial and business matters such that it is capable of evaluating the risks of the investment in the Apache Shares.

4.7 Intent of Purchaser.

Purchaser is acquiring the Newsprint Assets and the Apache Shares with the intent of competing effectively in the production, distribution and sale of newsprint.

4.8 Rail Carrier.

Neither Purchaser, nor any of its Related Affiliates is now or shall be at any time prior to the Closing a Person that is a Rail Carrier.

4.9 FERC.

Assuming the accuracy of Seller's representation and warranty in Section 3.24, as to FERC, no consent, approval, order, license, permit or authorization or, registration, declaration, notice or filing with FERC is necessary or required to be obtained or made by or with respect to Purchaser or any of its Affiliates in connection with the execution and delivery of this Agreement by Purchaser or the performance and consummation by Purchaser of the transactions contemplated hereby at or prior to the Closing.

4.10 No Other Representations or Warranties.

The representations and warranties of Purchaser contained in this Section 4 are the only representations and warranties made by or on behalf of Purchaser in connection with the transactions contemplated herein and, for greater certainty and without limiting the generality of the foregoing, no other representation, warranty or condition, whether express or implied, is made by any Person in connection with, arising out of or relating to the transactions contemplated by this Agreement.

5. COVENANTS AND AGREEMENTS

5.1 Water Rights Litigation.

- (a) Notwithstanding anything to the contrary in Section 9, as between Seller and Purchaser (and without prejudice to the rights of Seller or Purchaser or their respective successors or predecessors in interest vis-à-vis any other Person), Seller shall be solely liable for any Losses resulting directly or indirectly from the Water Rights Litigation attributable to the period prior to the Closing Date and Purchaser shall be solely liable for any Losses resulting directly or indirectly from the Water Rights Litigation attributable to the period on and after the Closing Date; provided, however, that Seller and Purchaser shall cooperate with each other, at their own expense, in connection with the defense or conduct of settlement or other negotiations with respect to the Water Rights Litigation. For the avoidance of doubt, Seller's obligation under this Section 5.1(a) extends to all Losses attributable directly or indirectly to the usage of water that occurred prior to the Closing Date regardless of when the Loss occurred or notice of a claimed Loss was given. In
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- connection with any Water Rights Litigation, the subject matter of which either (i) includes both Seller and Purchaser or their respective successors in interest as parties thereto or (ii) relates to the right to use water for periods both before and after the Closing Date, neither Seller nor Purchaser (nor any Affiliate or successor in interest of either of them) shall settle any such Action without the consent of the other, which consent shall not be unreasonably withheld, delayed or conditioned.
- (b) Following the Closing Date, as between Seller and Purchaser, Purchaser shall have the right to control the prosecution and defense of the Water Rights Litigation, provided that in doing so, Purchaser shall in good faith take into consideration Seller's rights and obligations in connection therewith and shall not make determinations that adversely affect Seller's rights and obligations in connection therewith except to the extent that Purchaser's rights and obligations in connection therewith are similarly affected. However, prior to the Closing, in addition to the requirements of Section 5.12, Seller shall keep Purchaser reasonably informed about activity in the Water Rights Litigation. Following the Closing, Purchaser shall keep Seller reasonably informed about activity in the Water Rights Litigation, and Seller and Purchaser shall cooperate with each other, at their own expense, in connection with the prosecution, defense or conduct of settlement or other negotiations with respect to the Water Rights Litigation.
- (c) Following the Closing Date, Seller and Purchaser shall cooperate in seeking to have Purchaser added or substituted for Seller as a party to the Water Rights Litigation. Such addition or substitution shall not operate to alter Seller's liability for Losses resulting directly or indirectly from the Water Rights Litigation as provided in this Section 5.1.
- (d) Seller shall use commercially reasonable efforts to assign to Purchaser and Purchaser shall accept and assume, to the extent assignable, (i) Seller's rights with respect to the period on and after the Closing Date, and Seller's obligations accruing on or after the Closing Date, under the Joint Defense Expense Allocation Agreement dated as of February 15, 2002 between Seller and Stone Container (the "**Joint Defense Expense Agreement**"), (ii) Seller's rights with respect to the period on and after the Closing Date, and Seller's obligations accruing on or after the Closing Date, under the Joint Defense Agreement dated as of February 15, 2002 between Seller and Stone Container (the "**Joint Defense Agreement**") and (iii) Seller's rights with respect to the period on and after the Closing Date, and Seller's obligations accruing on or after the Closing Date, under the Stipulation dated December 12, 2001 between Seller and The United States of America in the Water Rights Litigation (the "**Stipulation**").
- (e) Following the Closing Date, all costs of prosecuting or defending claims in the Water Rights Litigation, including but not limited to attorneys' fees and expert fees (other than such costs required to be paid by Stone Container pursuant to the Joint Defense Expense Agreement and the Joint Defense Agreement, which shall be paid by Stone Container or as provided below), shall be split equally between Seller and Purchaser, provided, however, that to the extent Stone Container fails to pay its share of any such costs that it is due to pay pursuant to the Joint Defense Expense Agreement, the Joint Defense Agreement or any other agreement, such shortfall shall be the sole responsibility of Seller, and Seller shall indemnify and hold
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Purchaser harmless against any Losses resulting from such non-payment by Stone Container.

- (f) Seller shall use commercially reasonable efforts to substitute Purchaser as a party to the Joint Expert Witness Fee and Expense Agreement dated July 31, 1996 (as amended).

5.2 Post-Closing Amounts.

5.2.1 All cash or cash equivalents collected after the Closing Date from the Trade Receivables shall belong to Seller and, if received by Purchaser shall be received for the benefit of Seller, and Purchaser shall, on a weekly basis, transfer and remit to Seller all such amounts received by Purchaser. All cash or cash equivalents collected after the Closing Time from Accounts Receivable shall belong to Purchaser and, if received by Seller or any of its Affiliates, shall be received for the benefit of Purchaser, and Seller shall, on a weekly basis, transfer and remit, or cause such Affiliate to transfer and remit, to Purchaser all such amounts received by Seller or its Affiliates.

5.2.2 To the extent that, after the Closing, Purchaser incurs any expense or makes any payments related to Excluded Newsprint Customer Order Liabilities, Seller shall, promptly upon notification by Purchaser of such expense or payment but in no event later than five (5) Business Days after such notification, reimburse Purchaser for all such payments or expenses, provided that Seller shall have no liability hereunder if it was not obligated to incur such expense or make such payment.

5.3 Conduct During Interim Period.

During the period from the Effective Date to the Closing (the "**Interim Period**"), except as otherwise contemplated by this Agreement, as set forth on Schedule 5.3 or as Purchaser otherwise agrees in writing in advance (such agreement not to be unreasonably withheld, delayed or conditioned), Seller shall conduct, and shall cause its Affiliates and Apache to conduct, the Businesses in the ordinary course of business consistent with past practice and use its commercially reasonable efforts to preserve intact the Businesses and the relationships with the customers, suppliers, creditors and employees of the Businesses. During the period from the Effective Date to the Closing, except as otherwise contemplated by this Agreement or any Operative Agreement, as Purchaser shall otherwise consent in writing or as set forth on Schedule 5.3, Seller shall not, and shall cause each of its Affiliates and Apache not to, with respect to the Businesses:

5.3.1 incur, create or assume any Encumbrance on any of its assets other than a Permitted Lien or any Encumbrance on an Excluded Asset;

5.3.2 sell, lease, license, transfer or dispose of any assets (other than Inventory in the ordinary course of business consistent with past practice as well as obsolete or redundant assets); provided, however, that Apache shall be permitted to distribute or transfer to Seller or its Affiliates all accounts receivable, trade accounts, notes receivable and/or book debts due or accruing to Apache from Seller or its Affiliates; provided that any such accounts receivable, trade accounts, notes receivable and/or book debts due or accruing shall not be reflected as an asset in the determination of Net Working Capital;

- 5.3.3 enter into any Contract that would be a Material Contract or terminate or materially amend any existing Material Contract, in each case other than in the ordinary course of business consistent with past practice;
 - 5.3.4 amend in any material respect the Articles of Incorporation, Bylaws or other organizational documents of Apache;
 - 5.3.5 issue, sell, pledge, transfer, dispose of or Encumber any shares of Apache's capital stock or securities convertible into or exchangeable for any such shares, or any rights, warrants, options, calls or commitments to acquire any such shares or other securities;
 - 5.3.6 split, combine, subdivide, reclassify or redeem any outstanding securities of Apache;
 - 5.3.7 dispose of or permit to lapse any rights in, to or for the use of any Intellectual Property Assets other than as required by applicable law;
 - 5.3.8 (i) increase the compensation payable or to become payable to any director, officer, or employee of Seller or Apache, except for increases made in the ordinary course of business consistent with past practice and for increases under the terms of a Collective Bargaining Agreement as of the Effective Date, (ii) hire any employee for the Businesses with annual compensation in excess of one hundred fifteen thousand Dollars (\$115,000), (iii) increase the employee benefits of any Newsprint Employee or Apache Employee or pay any pension or retirement allowance to any Newsprint Employee or Apache Employee not required by law, by the terms of a Benefit Plan in effect as of the Effective Date or by the terms of a Collective Bargaining Agreement in effect as of the Effective Date or (iv) become a party to, amend or commit itself to any pension, retirement, profit-sharing or welfare benefit plan or agreement or employment, retention, severance, collective bargaining, change in control or similar agreement with or for the benefit of any Newsprint Employee or Apache Employee, other than, in the case of each of (iii) and (iv) to the extent required by law, under the terms of a Benefit Plan as of the Effective Date or under the terms of a Collective Bargaining Agreement as of the Effective Date;
 - 5.3.9 undertake to negotiate with any labor union, enter into any agreement with any labor union, or otherwise amend, modify or change any terms or conditions of employment of any Newsprint Employee or Apache Employee represented by any labor union, except to the extent required by law, under the terms of a Benefit Plan in effect as of the Effective Date or under the terms of a Collective Bargaining Agreement in effect as of the Effective Date;
 - 5.3.10 make any loans, advances or capital contributions to, or investments in, any other Person (other than relocation and business travel advances to employees in the ordinary course of business consistent with past practice);
 - 5.3.11 except, as applicable, in the ordinary course of the Newsprint Business or the Railway Business consistent with past practice accelerate the delivery or sale of products or the incurrence of capital expenditures, offer discounts on the sale of products, on the provision of services or the payment of accounts receivable, or offer premiums on the purchase of raw materials;
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- 5.3.12 permit Apache to adopt a plan of complete or partial liquidation or authorize or undertake a dissolution, consolidation, restructuring, recapitalization or other reorganization of Apache or the Newsprint Business to the extent, in each case, inconsistent with the consummation of the transactions contemplated by this Agreement;
 - 5.3.13 permit Apache to acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein;
 - 5.3.14 except in the ordinary course of business consistent with past practice, cancel, compromise or settle any debt or claim or waive any rights of material value to Apache or the Newsprint Business without Apache or the Newsprint Business receiving a realizable benefit of similar or greater value, or voluntarily suffer any extraordinary loss;
 - 5.3.15 enter into any transactions, contracts and understandings with Seller or any of its Related Parties that would be binding on the Newsprint Assets or Apache after the Closing;
 - 5.3.16 incur any debt for borrowed money, other than in the ordinary course of the Newsprint Business consistent with past practice;
 - 5.3.17 make any change in its fiscal year or its accounting methods or practices except as required by reason of a concurrent change in GAAP;
 - 5.3.18 in the case of Apache only, make or change any tax election or file any tax returns, except in the ordinary course of business consistent with past practice;
 - 5.3.19 settle any audit relating to Apache;
 - 5.3.20 institute or settle any material legal proceeding, whether pending or threatened, relating to the Newsprint Business, or, in the case of Apache, institute or settle any material legal proceeding, whether pending or threatened;
 - 5.3.21 settle or compromise on any issue, question or dispute in or relating to the Water Rights Litigation;
 - 5.3.22 fail to maintain the Wells in operating condition;
 - 5.3.23 fail to use any payments received by Seller or its Affiliates relating to Newsprint Insurance Claims of Seller or its Affiliates covering the Newsprint Assets to acquire replacement assets or to repair assets or to reimburse Seller or its Affiliates for expenses incurred to acquire replacement assets or to repair assets;
 - 5.3.24 not divert customers or any orders from the Newsprint Business to other businesses of Seller or any of its Affiliates except to the extent that there are replacement customers or replacement orders such that there is no material adverse impact on the Newsprint Business, it being acknowledged and agreed to by the parties that certain customers of the Newsprint Business are also customers of Seller and its Affiliates with respect to
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businesses other than the Newsprint Business and nothing contained in this Section 5.3.24 or elsewhere in this Agreement shall prevent Seller and its Affiliates from maintaining their relationships with or soliciting business from, such customers;

- 5.3.25 allow or agree to allow the lapse of any material right with respect to any Material Permit;
 - 5.3.26 permit an event of default to continue uncured under the Snowflake Lease;
 - 5.3.27 fail to maintain the Owned Tangible Real Assets and the Equipment in all material respects in a manner consistent with past practice;
 - 5.3.28 fail to maintain, in all material respects, the Newsprint Inventory levels in a manner consistent with past practice, taking into account cyclical variances and the Outage; or
 - 5.3.29 authorize or enter into any agreement or commitment with respect to any of the foregoing.
- 5.4 Commercially Reasonable Efforts.
- 5.4.1 Prior to the Closing, upon the terms and subject to the conditions of this Agreement, Seller and Purchaser shall cooperate and use their commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably required to consummate the transactions contemplated herein and in any other Operative Agreement as promptly as reasonably practicable, including (i) the execution of delivery of such documents and other papers and (ii) the preparation and filing of all forms, registrations and notices required to be filed to consummate such transactions and the taking of such actions as are reasonably required to obtain any requisite consents, authorizations, waivers or approvals by any third party (including any Governmental Entity). In addition, no party (or any of its respective Affiliates) shall take any action after the Effective Date that would reasonably be expected to delay the obtaining of, or result in not obtaining, any consent or approval from any third party (including any Governmental Entity) required to be obtained prior to the Closing. Except as provided in Section 5.4.5, Purchaser shall provide such commercially reasonable assurances as to financial capability, resources and creditworthiness as may be commercially reasonably requested by any third party (including any Governmental Entity) whose consent or approval is sought hereunder provided, that, Purchaser shall not be required to provide any such assurances which are financially dissimilar from those provided to such third party by Seller as of the Effective Date.
 - 5.4.2 After the Effective Date, each of the Seller and Purchaser shall promptly furnish to the other such necessary information and reasonable assistance as are required with respect to all filings required to be made with any Governmental Entity or any other information required to be supplied by Purchaser or Seller or any of its Affiliates to a Governmental Entity in connection with this Agreement and the transactions contemplated herein and in the other Operative Agreements and each of Seller and Purchaser shall promptly, but in no event more than ten (10) days after the Effective Date (or, in the case of any notification to be provided to the DOJ by Seller as required by the Final Judgment, within two (2) Business Days), make all filings required to be made by such party in connection with the consummation of the transactions
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contemplated by this Agreement; provided, that, with respect to this Section 5.4, nothing shall require either Purchaser or Seller, as applicable, (the “**Information Provider**”) to provide to such other party (the “**Information Receiver**”) any information that the Information Provider should reasonably determine is necessary for the Information Receiver to keep confidential from the Information Receiver for the purpose of competing effectively in the production, distribution and sale of newsprint. Each of Seller and Purchaser shall promptly inform the other party of any substantive meeting, discussion, or communication with any Governmental Entity (and shall supply to the other party any written communication or other written correspondence or memoranda) in respect of any filings, investigation or inquiry concerning the transactions contemplated herein and in any other Operative Agreement, including with respect to any approvals or other requirements relating to the divestitures under the Final Judgment, and shall use commercially reasonable efforts to consult with the other party in advance and, to the extent permitted by such Governmental Entity, give the other party the opportunity to attend and participate therein. If any party or Affiliate thereof receives a request for information or documentary material from any Governmental Entity with respect to any of the transactions contemplated herein or in any other Operative Agreement, then such party shall make, or cause to be made, as soon as reasonably practicable and after consultation with the other party, an appropriate response in compliance with such request. In addition, each of Seller and Purchaser will keep the other apprised of the status of any such meetings, discussions, or communications with, and any inquiries or requests for additional information from any Governmental Entity. For purposes of clarity of the foregoing requirement of Purchaser to provide financial assurances as to financial capability, resources and creditworthiness, in connection with the Aquifer Protection Permits issued to Seller and Apache, listed as items 1, 16, 17, 18, and 19 on Schedule 3.17(a), Purchaser expressly agrees to take commercially reasonable measures promptly after the Closing to provide substitute financial assurance for such permits consistent with the requirements of applicable regulations (i.e. by providing documentation to the Arizona Department of Environmental Quality that Purchaser meets the financial test for self-assurance detailed in Arizona Code Section R18-9-A203(C)(1) or an alternate commercially reasonable mechanism for financial assurance that complies with applicable Environmental Laws) to enable the release of the guarantee currently provided by Seller to satisfy the applicable financial assurance requirements.

- 5.4.3 Seller shall diligently, promptly and in good faith seek an extension or extensions of up to sixty (60) days of the divestiture period specified in Section IV of the Final Judgment consistent with the Final Date.
 - 5.4.4 Neither Purchaser nor Seller shall, and each shall cause its respective Affiliates not to, take any action that could reasonably be expected to adversely affect the approval of any Governmental Entity of any of the aforementioned filings.
 - 5.4.5 Purchaser shall cooperate in good faith with all Governmental Entities, in each case with competent jurisdiction, and shall undertake promptly any and all action required to complete lawfully the transactions contemplated by this Agreement; provided, that, nothing in this Agreement shall obligate Purchaser or any of its Affiliates to take any action or agree (i) to divest, dispose of or hold separate all or any portion of their respective businesses, assets or properties, or of the business, assets or properties of the Newsprint Business or Apache, (ii) to limit the ability of Purchaser or any of its
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Affiliates to conduct or control their respective businesses or own such assets or properties or to conduct or control the Newsprint Business or Apache or own the Newsprint Assets or (iii) to take any action that could reasonably be expected to have a material adverse impact on the business, operations or revenues of Purchaser or any of its Affiliates, the Newsprint Business or Apache.

- 5.4.6 Following the Effective Date and prior to the Closing Date, subject to applicable law, Seller shall use its commercially reasonable efforts to cooperate with Purchaser to integrate the Businesses into the existing businesses of Purchaser, effective as of the Closing.
- 5.4.7 Following the Effective Date and on or prior to the Closing Date, Seller shall not (with respect to the Newsprint Business) adopt a plan of complete or partial liquidation or authorize or undertake a dissolution, consolidation, restructuring, recapitalization or other reorganization.
- 5.4.8 Following the filing of the Preliminary Prospectus, Purchaser shall use commercially reasonable efforts to close the Rights Offering as promptly as practicable.
- 5.4.9 Each party agrees to notify the other if it becomes aware that it is reasonably likely that any of the conditions set forth in Section 7.1 and, in the case of Seller, Section 7.2, and in the case of Purchaser, Section 7.3, will be incapable of being satisfied by the Final Date.

5.5 Publicity.

Neither Seller nor Purchaser, nor any of their respective Affiliates shall issue or cause the publication of any press release or other public announcement with respect to this Agreement or the transactions contemplated herein or in any other Operative Agreement without the agreement of the other party, except as may be required by law or by any listing agreement with a securities exchange or trading market and then only after the other party has been afforded, to the extent permitted by applicable law, a reasonable opportunity to review and comment on the same. Notwithstanding the foregoing sentence, each party and its Affiliates are permitted to file this Agreement and any other Operative Agreement electronically on the System for Electronic Document Analysis and Retrieval in Canada and the EDGAR system in the United States following the execution of this Agreement by Seller and Purchaser; provided that each party shall in good faith redact any information that it is permitted to redact under applicable Canadian securities laws and the parties shall cooperate in good faith with respect to such redactions.

5.6 Intercompany Arrangements.

Except as provided in Section 5.8 or as otherwise expressly contemplated by this Agreement or the other Operative Agreements, (i) all Contracts relating to the conduct of the Railway Business that are solely between Apache, on the one hand, and Seller and any of its Affiliates, on the other hand, and (ii) all Contracts relating to the conduct of the Newsprint Business that are between Seller, on the one hand, and any Affiliate of Seller, on the other hand (all of the Contracts described in (i) and (ii) above being set forth on Schedule 5.6), shall be terminated and of no further effect simultaneously with the Closing, without any further action, liability or obligation on the part of the parties thereto save in respect of any accrued rights or obligations (including as

to any payment obligations) to the extent included as an asset or a liability in Adjusted Closing Net Working Capital.

5.7 Insurance.

5.7.1 Purchaser acknowledges and agrees that effective upon the Closing all insurance coverage provided to the Newsprint Business or Apache shall terminate and no further coverage shall be available under any of such policies to the extent such coverage or policies are not assignable to Purchaser or Apache. Except for Newsprint Insurance Claims as contemplated by Section 5.7.2, all rights to make claims with respect to any insurance policy shall belong to Seller, and Purchaser shall promptly remit to Seller any amount received in connection therewith.

5.7.2 After the Closing Time, Purchaser shall have the right to receive any Newsprint Insurance Claims, including claims being processed under such insurance policies as of the Closing Time and claims not made as of the Closing Time. Any such rights of Purchaser to receive payment on any such Newsprint Insurance Claim shall be subject to any deductibles, self-insured retentions, retained amounts, retentions or exclusions. If so requested by Seller, Purchaser shall, as a condition to receiving payment on any such Newsprint Insurance Claim, make arrangements reasonably satisfactory to Seller for the payment directly to the applicable insurance carrier of any amounts which are the responsibility of Purchaser in accordance with the immediately preceding sentence. Notwithstanding the foregoing, in no event shall Seller or its Affiliates have any liability to Purchaser as a result of the refusal by an insurer under any of the policies of Seller or its Affiliates to reimburse or pay Purchaser with respect to any Newsprint Insurance Claim.

5.8 Intercompany Payables and Indebtedness.

5.8.1 Subject to Section 5.3, the parties agree and acknowledge that any intercompany payable balance owing by Seller or any Affiliate of Seller to Apache or by Apache to Seller or any Affiliate of Seller that arose from the intercompany supply of goods or services (trading balances) in the ordinary course of business shall be repaid in accordance with its terms to the extent included as an asset or liability in determining Adjusted Closing Net Working Capital and otherwise shall be deemed to be cancelled.

5.8.2 The parties further agree and acknowledge that any intercompany indebtedness owing by Apache to Seller or an Affiliate of Seller shall be paid in full, by dividend or otherwise, by Apache before the Closing Time and that any intercompany indebtedness owing by Seller or an Affiliate of Seller to Apache shall be paid in full by Seller or an Affiliate of Seller before the Closing Time; provided, however, that to the extent necessary the amount of such intercompany indebtedness estimated and settled at the Closing will be reconciled with the actual amount of such intercompany indebtedness as finally determined by the parties after the Closing pursuant to Section 1.9 and any outstanding balances shall be promptly settled as therein set forth to the extent not included in determining the Adjusted Purchase Price.

5.9 Preservation of Records and Cooperation.

5.9.1 Purchaser shall preserve, until at least the eighth anniversary of the Closing Date, all pre-Closing Date records (i) of Apache and/or (ii) included in the Newsprint Assets. Seller shall preserve, until at least the eighth anniversary of the Closing Date, all original pre-Closing records (i) of Apache and/or (ii) the Newsprint Business retained by it. After the Closing Date and up until at least the eighth anniversary of the Closing Date, upon any Covered Request, Seller or Purchaser, as applicable, shall (a) provide the other party or such other party's respective representatives commercially reasonable access to such records during normal business hours and (b) permit the other party or such other party's respective representatives to make copies of such records, in each case at the sole cost to the requesting party (which in any case shall only be for reasonable out-of-pocket expenses). A "**Covered Request**" shall mean a written request in connection with an audit, accounting, tax, litigation, securities disclosure or other similar need or any other reasonable business purpose. Notwithstanding the foregoing, three years following the Closing Date, any and all such records may be destroyed by Seller or Purchaser (the "**Notifying Party**") if the Notifying Party sends to the other party written notice of its intent to destroy such records, specifying in reasonable detail the contents of the records to be destroyed; such records may then be destroyed after the sixtieth (60th) day following such notice unless the other party notifies the Notifying Party that it desires to obtain possession of such records, in which event the Notifying Party shall transfer the records to the other party.

5.9.2 Purchaser shall provide reasonable assistance to Seller and its Affiliates following the Closing in connection with any matter subject to a Covered Request, including by making available to Seller and its Affiliates and their respective agents and representatives, including insurers, the personnel necessary or appropriate to assist with any such matter.

5.9.3 Within ten (10) days following the date that the Purchaser and Seller agree to an allocation (the "Agreed Allocation") of the Newsprint Purchase Price pursuant to Section 1.10, (i) Seller shall pay to Purchaser the amount (if any) by which the Standard Amount would have been higher if the Agreed Allocation was used on the Closing Date to determine the Standard Amount and (ii) Purchaser shall pay to Seller the amount (if any) by which the Extended Amount would have been higher if the Agreed Allocation was used on the Closing Date to determine the Extended Amount.

5.10 Transitional Services.

Effective as of Closing Time, except as set forth in the ONP Supply Agreement, the OCC Supply Agreement and the Transitional Services Agreement, all sales and marketing, treasury functions, insurance, legal, audit, benefits and certain human resources functions, recycled fibre and procurement, engineering and technical support, purchasing functions, logistics functions, data processing functions and general administration and other products or services provided to the Businesses by Seller or any Affiliates of Seller automatically will terminate.

5.11 Tax Matters.

- 5.11.1 Purchaser shall cause Apache to deliver to Seller, promptly upon receipt, any refunds received by Apache of Taxes relating to a Pre-Closing Period (net of any Tax Losses to Apache resulting from the receipt of such refund).
 - 5.11.2 Seller shall timely prepare all Tax Returns for Apache for Pre-Closing Periods (other than Tax Returns for a Straddle Period) that are due (taking into account extensions) after the Closing Date. With respect to any Pre-Closing Period that would otherwise be a Straddle Period, Seller will cause Apache, where permitted under applicable law, to elect to file a short-period Tax Return for the portion of such period which ends on the Closing Date. All such Tax Returns shall be prepared in a manner consistent with Apache's past practice except as required to by Law. Any such Tax Return that is prepared by Seller, other than a Tax Return that is a consolidated or combined income Tax Return that includes Seller ("a Consolidated Return"), shall be submitted to Purchaser for its review and comment at least fifteen (15) days before the due date of such Return. Seller shall be responsible for timely paying any Taxes applicable to such Tax Returns (including Consolidated Returns) in excess of the reserves for Taxes taken into account in determining Adjusted Closing Net Working Capital and, in the case of any Tax Return other than a Consolidated Return, shall pay the amount of Taxes for which it is responsible to Purchaser at least five (5) days prior to the date that the Tax payment with respect to such Return is required to be made. Purchaser shall be responsible for signing (where appropriate) and timely filing any such Tax Returns other than a Consolidated Return (provided that such Tax Returns have been timely provided to Purchaser and that payment of the Tax show due has been timely submitted to Purchaser). Purchaser shall cause Apache to furnish information to Seller, as reasonably requested by Seller, to allow Seller to satisfy its obligations under this Section 5.11 in accordance with past custom and practice.
 - 5.11.3 Purchaser shall timely prepare and file all Tax Returns for Apache for all Straddle Periods, and shall timely pay all Taxes shown due on such Tax Returns. Purchaser shall provide to Seller copies of such Tax Returns at least fifteen (15) days before filing for Seller's review and comment and Purchaser shall make such revisions to such Tax Returns as mutually agreed by Purchaser and Seller acting in good faith. Seller shall be responsible for the portion of any Tax liability due with respect to a Straddle Return that is attributable to the Pre-Closing Period in excess of the reserves for such Taxes taken into account in determining Adjusted Closing Net Working Capital and shall pay such amount to Purchaser at least five (5) days prior to the time such Tax is required to be paid or if later five (5) days after Purchaser's written request for such Tax.
 - 5.11.4 Purchaser and Seller shall cooperate in the preparation of all Tax Returns by or including Apache for the period ending on or including the Closing Date, including preparation and filing of any and all forms and schedules required as a result of the 338(h)(10) Elections, if any. Purchaser and Seller agree (i) to retain all Books and Records with respect to Tax matters and pertinent to Apache relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Purchaser or Seller, as the case may be, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (ii) to give the other party reasonable written notice prior to transferring, destroying or discarding any such Books
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and Records and, if the other party so requests, Purchase or Seller, as the case may be, shall allow the other party to take possession of such Books and Records.

5.11.5 All tax-sharing agreements or similar agreements with respect to Apache shall be terminated as of the Closing Date and, after the Closing Date, Apache shall not be bound thereby or have any liability thereunder. No amended Tax Return of Apache shall be filed for any Pre-Closing Period, without the consent of Seller, except as may be required to reflect the outcome of an audit or where otherwise required by law.

5.12 Access to Information.

- (a) Subject to the restrictions of any applicable law and except to the extent subject to attorney-client privilege, between the Effective Date and the Closing, Seller shall (i) give Purchaser and its authorized representatives reasonable access to the books, records, work papers, personnel, contracts, offices and other facilities and properties of Apache and the Newsprint Assets, (ii) permit Purchaser to make such inspections thereof as Purchaser may reasonably request and (iii) cause the employees of Seller and its Affiliates to furnish Purchaser with such financial and operations data and other information with respect to Apache, the Newsprint Assets and the Newsprint Business as Purchaser may reasonably request; provided, that, any such investigation shall be conducted during normal business hours under the supervision of Seller's or its Affiliates' designated personnel and in such a manner as not to interfere with the business operations of Seller or any of its Affiliates. Purchaser and its counsel, environmental consultants, investment bankers, financial sources, lenders and other representatives shall be permitted to conduct Phase I environmental assessments, studies, investigations, or other inquiries pertaining to Environmental Laws or Hazardous Substances and relating to the Owned Real Property or the Newsprint Leased Real Property; provided that (x) no sampling or testing shall be conducted as part of such investigations without the prior written consent of Seller, which it may grant or withhold in its sole discretion, and (y) if requested by Seller, Purchaser shall provide Seller with copies of any Phase I environmental assessment prepared by Purchaser in connection with the transactions contemplated by this Agreement, in each case, between the Effective Date and the Closing.
 - (b) All information furnished or provided by Seller or any of its Affiliates or representatives to Purchaser or any of its Affiliates or representatives (whether furnished before, on or after the Effective Date) and all information derived therefrom and all information resulting from any assessments, studies, investigations or other inquiries by Purchaser shall be held subject to the Confidentiality Agreement until the Closing.
 - (c) As soon as practical following the Closing Date, Seller shall request the return, or the destruction of all originals and copies, of (i) any information (or information prepared by such third party referred to below on the basis of the information provided by Seller or its Affiliates or representatives to such third party) and (ii) all originals and copies of the Confidential Information Memorandum, in each case in possession of any third party (other than Purchaser) or in the possession of any such third party's representatives or Affiliates, which, were provided to such third parties for the purpose of evaluating the transactions contemplated by this Agreement.
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- (d) Seller hereby agrees that, from and after the Effective Date until two years from the Closing Date, it shall not, and shall cause its Affiliates, officers, directors, representatives, agents and employees not to, divulge or disseminate Confidential Business Information at any time to any Person, except Seller may disclose Confidential Business Information (a) to its legal or financial advisors for the purposes of receiving legal or financial advice from such advisor (it being understood that such advisor will be informed by Seller of the confidential nature of such information and shall be directed by Seller to treat the information confidentially), (b) with the prior written consent of Purchaser, (c) as required by law, including any disclosure obligations under the rules and regulations of the United States Securities and Exchange Commission or any other securities authority or other applicable law or in connection with any judicial, administrative or similar proceeding or (d) that has been publicly disclosed by Purchaser after the Closing, in a manner not subject to confidentiality restrictions. In the event that Seller receives a request to disclose any Confidential Business Information under clause (c), it will (I) promptly notify Purchaser thereof (to the extent permitted by law) so that Purchaser may seek a protective order or otherwise seek to resist or narrow such request and (II) if Seller is nonetheless required to make such disclosure or if it is advised by its counsel that such disclosure is necessary, it will take reasonable steps, at Purchaser's request and expense, to attempt to obtain or help Purchaser obtain an order or other reliable assurance that confidential treatment will be accorded to such portion of the disclosed information.
- (e) Between the Effective Date and the Closing Date, Seller agrees that it shall provide a copy of the "order book" for the Newsprint Business to Purchaser on a weekly basis, as of a date during the previous week selected on a consistent basis, which order book shall set forth the orders for the sale of newsprint in connection with the Newsprint Business by volumes of newsprint, but shall not show pricing or customer names.

5.13 Audited Financial Statements.

- 5.13.1 If requested at anytime between the Effective Date and the first anniversary of the Closing Date, Seller shall, and shall cause its Affiliates to reasonably cooperate with Purchaser and its representatives and use its commercially reasonable efforts to assist Purchaser and its representatives, at Purchaser's cost and expense as set forth below, in the preparation of audited financial statements of the Businesses for the year ended December 31, 2007, including balance sheets and statements of stockholders' equity, income and cash flow (the "**Audited Financial Statements**"), which cooperation and assistance shall include making available to Purchaser during normal business hours under the supervision of Seller's or Apache's designated employees and in such a manner as not to interfere in any material respect with the business operation of Seller or any of its Affiliates, the books, records and employees of Seller or its Affiliates and each of their representatives (including, subject to applicable law, the independent accountants of Seller and the workpapers of such independent accountants) to the extent related to the Businesses which is reasonably required with respect to the preparation of the Audited Financial Statements. Seller may retain third parties to fulfill its obligations under this Section 5.13.1, the cost of which shall be Expenses. In consideration for the cooperation of Seller and any of Seller's Affiliates, (i) Purchaser shall pay to Seller a fee of \$100 per hour of time spent by Seller's employees
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(excluding an hourly fee for independent accountants, contractors or other third parties) from the date hereof through 6 months following the Closing Date, \$125 per hour of time spent by Seller's employees (excluding an hourly fee for independent accountants, contractors or other third parties) during the 7th month through to the 9th month following the Closing Date and \$150 per hour of time spent by Seller's employees (excluding an hourly fee for independent accountants, contractors or other third parties) from the 10th month following the Closing Date (the "Fees") cooperating with Purchaser and its representatives; and (ii) in addition to the Fees, Purchaser shall reimburse the Seller for all reasonable and customary out-of-pocket costs and expenses (including independent accountant, contractor and other third party charges calculated at customary rates) incurred by Seller in connection with such time spent by Seller's employees or such cooperation of Seller and any of Seller's Affiliates (the "Expenses"). Any value-added taxes, sales or similar taxes or levies shall be payable by Purchaser. For the avoidance of doubt, (a) the Fees will exclude any hourly fees for independent accountants of Seller, contractors, other third parties and any other Person, and (b) the Expenses will exclude any expenses for employee overtime and the allocation of overhead expenses relating to any Person. All information furnished or provided by Seller or any of its Affiliates or their respective representatives (including the independent accountants of Seller) to Purchaser or its representatives with respect to the preparation of the Audited Financial Statements and all information derived therefrom and all information resulting from the review and analysis of such information shall be held subject to the Confidentiality Agreement until Closing and notwithstanding anything herein contained may not be used or referred to, in whole or in part, whether directly or indirectly, to make a claim against Seller or any of its Affiliates.

5.13.2 Seller shall furnish a monthly invoice for the Fees and Expenses incurred during the prior month. Purchaser shall pay each such invoice by the later of (x) thirty (30) days following the receipt of such invoice and (y) the Closing Date. Payment against monthly invoices shall be made via electronic funds transfer or, if electronic funds transfer is unavailable, by paper check. Unless otherwise mutually agreed, all invoices and payments therefor shall be in US Dollars. Interest on all late payments shall be charged at the rate of ten percent (10%) per annum, which interest shall accrue on a daily basis and shall be compounded on a monthly basis.

5.14 Covenant Not-to-Sue.

Seller hereby agrees that it shall not assert against the Purchaser Parties any claims or demands, or otherwise institute any actions, suits or proceedings, whether in law or in equity, for infringement, misappropriation or other violation of the Newsprint Know How in connection with the use of the Newsprint Know How by or on behalf of the Purchaser Parties on and after the Closing Date. The foregoing covenant shall be perpetual and irrevocable, and shall be binding upon Seller's Affiliates, successors and assigns. The foregoing covenant shall also inure to the benefit of any acquirer of the Newsprint Assets or the Newsprint Business (whether by merger, consolidation, sale of equity or sale of all or substantially all of assets in which the Newsprint Know How is used), and the foregoing covenant shall extend to any consultant, vendor or other contractor of Purchaser that uses the Newsprint Know How to provide services to or on behalf of Purchaser Parties. "Purchaser Parties" means Purchaser, its Affiliates, successors and assigns, and their respective officers, directors, employees or representatives and "Newsprint Know How" means all trade secrets, know-how, formulae, concepts, data, designs, processes,

procedures, specifications, ideas, methods, models and techniques that are proprietary to Seller and used or held for use by Seller in the operation of the Newsprint Business as of the Closing Date.

5.15 Apache Benefit Accrual.

Prior to the Closing Time, Seller shall cause the liability relating to employee future benefits of approximately sixty seven thousand Dollars (\$67,000) on Apache's books and records to be reversed. To the extent such liability gives rise to a Loss by Apache (or any successor thereto) after the Closing Time, Seller shall indemnify Apache and hold Apache harmless with respect to such Loss.

5.16 Outage Work Sharing and Cost-Sharing Arrangement.

Commencing on April 21, 2008, certain capital improvements and major maintenance are scheduled to be performed on the Newsprint Assets as described on Schedule 5.16(a), the work responsibility and the cost responsibility of which shall be allocated between Seller and Purchaser in accordance with the following principles:

5.16.1 The capital improvements to be made and the estimated cost therefor are set out on Schedule 5.16(b).

5.16.2 Seller agrees not to delay the Outage or the work to be performed in connection therewith and not to defer any capital improvements or maintenance beyond the Outage.

5.16.3 The party owning the Newsprint Assets on the date that a capital improvement is to be made or maintenance is to be performed shall be responsible for making such improvements and performing such work. For greater certainty, Purchaser shall be responsible for all capital improvements to be made and maintenance to be performed on the Closing Date.

5.16.4 Notwithstanding when the Closing Date occurs (but only if the Closing occurs), Purchaser shall pay for all capital improvements costs (other than the equipment cost for the drum pulper, but including all installation costs with respect to the drum pulper) set forth on Schedule 5.16(b). Promptly following the Closing, Seller and Purchaser shall agree in good faith on the capital improvement costs paid or accrued (which accrual shall be reflected in the determination of Net Working Capital) by Seller at or prior to the Closing. Seller shall deliver to Purchaser an invoice setting forth the amounts so paid or accrued (which accrual shall be reflected in the determination of Net Working Capital) by Seller in reasonable detail and Purchaser shall reimburse Seller for such costs within thirty (30) days following receipt of such invoice; provided, however, that in no event shall such reimbursement exceed six million six hundred thousand Dollars (\$6,600,000). Any dispute between the parties with regard to such invoice shall be resolved by the CPA Firm.

5.16.5 Notwithstanding when the Closing Date occurs, Seller shall pay the equipment cost for the drum pulper and notwithstanding when the Closing Date occurs (but only if the Closing occurs), Purchaser shall pay the installation costs for the drum pulper, subject to the dollar limitation in Section 5.16.4.

- 5.16.6 Seller shall pay all costs for major maintenance incurred prior to the Closing Date and Purchaser shall pay all costs for major maintenance incurred on and after the Closing Date. If either party pays costs that are the responsibility of the other party, the paying party shall send the other party an invoice setting forth the amount paid in reasonable detail and the other party shall reimburse the paying party for such costs within thirty (30) days following receipt of such invoice. Any dispute between the parties with regard to such invoices shall be resolved by the CPA Firm. The parties shall, if practical, net out their respective invoices and the party with the lower invoice shall pay the amount of the difference between the invoices to the party with the higher invoice.
- 5.16.7 Each party shall incur the lost profits due to lost production due to the Outage during the period of its ownership of the Newsprint Assets; provided that if the commencement of the Outage is delayed, the lost profits due to lost production due to the Outage shall be allocated between the parties as if the Outage had occurred commencing April 21, 2008.
- 5.16.8 Notwithstanding anything herein contained, with the exception of the cost of the drum pulper, all capital expenditures, maintenance costs and lost profits due to lost production due to the Outage incurred on or after the Closing Date shall be paid by Purchaser, subject to the proviso to the second sentence of Section 5.16.7.
- 5.16.9 Notwithstanding anything herein contained, if Seller breaches any of its covenants in this Section 5.16, Purchaser shall not be entitled to terminate this Agreement, but instead an amount equal to the cost of the capital expenditures and maintenance that should have been paid by Seller pursuant to this Section 5.16, as well as for any lost profits due to lost production due to the Outage incurred by Purchaser that would not have been incurred if Seller had not breached such covenants shall, without duplication, be paid by Seller to Purchaser within thirty (30) days following the agreement of Purchaser and Seller as to the amount owed by Seller to Purchaser pursuant to this such Section 5.16.9. Any dispute between the parties with regard to the amounts owed by Seller pursuant to this Section 5.16.9 shall be resolved by the CPA Firm.
- 5.16.10 At the request of Purchaser, Seller shall permit Purchaser to review the planning documents with respect to the Outage and to ask questions and receive answers with respect thereto, as well as to observe Seller's implementation of the capital improvements and major maintenance; provided, however, that the foregoing shall be done in such a manner so as not to interfere with the work during the Outage or with the business operations of Seller.
- 5.16.11 Any dispute between the parties to be resolved by the CPA Firm under this Section 5.16 shall be subject to the methodology set forth in Section 1.9.

6. LABOR AND EMPLOYEE BENEFITS MATTERS

6.1 Transition of Labor Matters.

The parties acknowledge that certain Newsprint Employees are represented by the United Steelworkers of America, Local No. 2688 ("Steelworkers") and the International Brotherhood of Electrical Workers, Local No. 518 ("IBEW") and that their respective terms and conditions of employment are set forth in the Labor Agreement between Abitibi Consolidated Sales

Corporation Snowflake Division and the United Steelworkers International Union (Snowflake Local No. 2688) effective March 1, 2007 through February 28, 2010 (“**Steelworkers Agreement**”) and the Labor Agreement between Abitibi Consolidated Sales Corporation Snowflake Division and the Local Union 518 International Brotherhood of Electrical Workers, AFL-CIO-CFL effective March 1, 2007 through February 28, 2010 (“**IBEW Agreement**”) and together with the Steelworkers Agreement, the “**Newsprint Collective Bargaining Agreements**”). Further, certain Apache Employees are represented by the United Transportation Union (“**UTU**”) and by Carpenters, Local 408 effective January 1, 2005 through December 31, 2011 (the “**Carpenters**”) and the terms and conditions of their respective employment are set forth in the Agreement between Abitibi Consolidated Sales Corporation, Snowflake Division — Apache Railway Company, Snowflake, Arizona and UTU effective January 1, 2005 through December 31, 2011 (“**UTU Agreement**”) and the Collective Bargaining Agreement between Apache Railway Company, Snowflake, Arizona and Southwest Regional Council of Carpenters, Local 408 (“**Carpenters Agreement**”) and together with the UTU Agreement, the “**Apache Collective Bargaining Agreements**”). The parties make the following agreements with respect to the transition of Newsprint Employees and Apache Employees.

- 6.1.1 Continuation of Employment. Purchaser shall (i) cause Apache to continue to employ all Apache Employees, including such employees who are represented by the UTU or the Carpenters on the Closing Date and (ii) shall offer employment to all Newsprint Employees represented by the Steelworkers or the IBEW on the Closing Date (collectively the employees in (i) and (ii) are referred to as the “**Retained Employees**”), provided that Apache and Purchaser shall not be prohibited by this Agreement from subsequently terminating any Retained Employee.
 - 6.1.2 Retained Liability. Except as otherwise provided in this Agreement, Seller will retain all liabilities relating to any Retained Employee accruing prior to the Closing Date, including any long-term disability benefits of a Retained Employee who became disabled as defined under the terms of Seller’s long term disability policy on or prior to the Closing Date, but not including honoring rights to unused vacation during 2008 (including for carry over days from prior years) and liabilities for short-term disability benefits payable after the Closing Date, all of which vacation and short-term disability liabilities shall be assumed by Purchaser as of the Closing Date. Subject to the foregoing, Seller shall timely pay all Retained Employees’ accrued wages through the Closing Date.
 - 6.1.3 Steelworkers Agreement. Purchaser agrees to assume the Steelworkers Agreement commencing on the Closing Date, and shall comply with Exhibit C to the Steelworker Agreement, (“**Exhibit C**”) which is attached as Schedule 6.1.3 to this Agreement. Notwithstanding any provision of Exhibit C to the contrary, the Union (as defined in Exhibit C) shall not be a third party beneficiary of this Agreement.
 - 6.1.4 IBEW Agreement. Purchaser agrees to offer to assume the IBEW Agreement commencing on the Closing Date, and Purchaser and Seller agree to execute any documents reasonably necessary to effectuate the assumption of the IBEW Agreement. If the IBEW does not consent to Purchaser’s assumption of the IBEW Agreement, then Purchaser’s obligation to assume the IBEW Agreement shall be deemed waived. It is agreed that the IBEW shall not be a third party beneficiary of this Agreement.
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- 6.1.5 Apache Collective Bargaining Agreements. Purchaser acknowledges that after the Closing Date the Apache Collective Bargaining Agreements will remain in full force and effect.
- 6.1.6 Management and Non-Represented Employees. Purchaser agrees to offer employment at substantially the same aggregate base compensation to all Salaried Newsprint Employees and all Hourly Newsprint Employees not represented by the Steelworkers or the IBEW and all Apache Employees not represented by the UTU or the Carpenters (collectively the “**Business Employees**”). Purchaser agrees that it will recognize years of service with Seller and Apache and their respective predecessors in applying its policies, if any, that vary benefits based on years of service. Any Business Employee who accepts such employment offer and reports for work on the date directed by Purchaser is referred to as a “**Hired Employee**”. Except as otherwise provided in this Agreement, Seller shall retain (i) all liabilities relating to any Business Employee who does not become a Hired Employee (whether arising at, prior to or after the Closing Date); and (ii) all liabilities arising prior to the Closing Date relating to any Business Employee who becomes a Hired Employee, including any long-term disability benefits of a Hired Employee who became disabled as defined under the terms of Seller’s long term disability policy on or before the Closing Date, but not including honoring rights to unused vacation during 2008 (including for carry over days from prior years), liabilities for short-term disability benefits payable after the Closing Date and liabilities for relocation allowances, all of which vacation, short-term disability and relocation allowance liabilities shall be assumed by Purchaser as of the Closing Date. Subject to the foregoing, Seller shall timely pay all Hired Employees’ accrued wages through the Closing Date.
- 6.1.7 WARN Act. Purchaser covenants and agrees that it will allow no mass layoff or plant closing (as defined in the *Worker Adjustment and Retraining Notification Act* and the regulations thereunder) to occur after the Closing Date that will require Seller to provide any notice or make any severance payment to comply with the requirements of the *Worker Adjustment and Retraining Notification Act* and/or any comparable state law.
- 6.1.8 COBRA. Purchaser agrees and acknowledges that, upon consummation of this transaction, Purchaser is deemed a “Buying Group” (as defined in Treas. Reg. §54.4980B-9, Q&A-2(c) and Q&A-3(b)). Purchaser agrees it will be solely responsible for providing COBRA continuation coverage to all M&A Qualified Beneficiaries (as defined in Treas. Reg. §54.4980B-9, Q&A-4(a), except for any Salaried Employee who is eligible to elect COBRA continuation coverage prior to the Closing Date. Purchaser assumes any responsibility Seller would otherwise have to provide such continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), except for any Salaried Employee who is eligible to elect COBRA continuation coverage prior to the Closing Date.
- 6.1.9 Obligation to Provide Benefits. Except as expressly provided in this Section 6, nothing in this Agreement shall (i) require Purchaser or any of its Affiliates to continue the employment of any Retained Employee or Hired Employee after the Closing Date, (ii) require Purchaser or any of its Affiliates to establish or continue any particular employee benefit plan, practice, program or policy for any particular period of time after the Closing Date or (iii) prohibit or in any way limit Purchaser’s ability to amend
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or terminate any such plan, practice, program or policy. Purchaser and its Affiliates shall not assume any obligation to Newsprint Employees and Apache Employees that is not expressly provided for herein. Purchaser shall have no obligation to employees of Seller or its Affiliates other than the Retained Employees or Hired Employees, whether or not such employees received salary continuation or other payments or benefits under any plan or policy of Seller or its Affiliates.

- 6.1.10 **Employee Communications.** Prior to the Closing, Seller and Purchaser agree to cooperate in and agree on the preparation and dissemination of one or more written or formal oral communications to Newsprint Employees and Apache Employees describing the retirement, group health, life insurance, long term disability and other welfare and fringe benefit plan coverage that will be provided after the Closing Date, it being understood that the Purchaser has the sole right to communicate in respect of retiree health and retiree life insurance. Prior to the Closing Date, Seller and its Affiliates shall make no other written employee communications to Newsprint Employees and Apache Employees regarding benefits to be provided after the Closing Date without the prior written consent of Purchaser which consent shall not be unreasonably withheld, delayed or conditioned, it being understood that the Purchaser has the sole right to communicate in respect of retiree health and retiree life insurance.
- 6.1.11 **Seller Obligations.** Seller agrees to pay or to cause its Affiliates to pay any and all obligations, liabilities and costs arising before, on or after the Closing Date: (i) that have arisen or may arise in connection with any Benefit Plan except for the Multiemployer Plan with respect to withdrawal liability Seller's Hourly 401(k) Plan and the IBEW Hourly Defined Contribution Plans and (ii) that have arisen or may arise in connection with the PBGC's involvement or intervention with respect to the Seller's Hourly Pension Plan or the Seller's Salaried Employees Pension Plan. In addition, Seller and its Affiliates shall be solely responsible for any and all Controlled Group Liabilities. "**Controlled Group Liabilities**" are any and all liabilities (A) under Title IV of ERISA, (B) under Section 302 of ERISA, (C) under Sections 412 and 4971 of the Code, and/or (D) except as provided in Section 6.1.8, as a result of Seller failing to comply with the continuation coverage requirements of Section 4980B *et seq.* of the Code and Section 601 *et seq.* of ERISA (including in connection with the transactions contemplated hereby), in each case relating to any employee benefit plan currently or formerly sponsored, maintained or contributed to by Seller or any ERISA Affiliate, except for the Multiemployer Plan with respect to withdrawal liability, Seller's Hourly 401(k) Plan and the IBEW Hourly Defined Contribution Plans.
- 6.1.12 **Equity Plans.** Seller shall take such action as is necessary to cause (i) all outstanding stock options (that are in the money), restricted stock units and other equity-based awards held by Retained Employees and Hired Employees to vest on the Closing Date. Seller shall be responsible for any and all payments, withholding and reporting obligations that arise before, on or after the Closing Date related to such stock options, restricted stock units and other equity-based awards.
- 6.1.13 **Third Party Beneficiary.** Except as expressly set forth in this Section 6, no Person other than the parties to this Agreement shall be a beneficiary of the provisions of this Section 6.
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6.2 Crediting of Service under Purchaser's Salaried Retirement Plan.

Seller shall cause all Salaried Employees that participate in the Abitibi Consolidated U.S. (Cash Balance) Retirement Plan ("**Seller's Salaried Employees Retirement Plan**") to become fully vested therein on the Closing Date. Purchaser agrees that each Salaried Employee who is a participant in Seller's Salaried Employees Retirement Plan as of the Closing Date ("**Participating Salaried Employees Retirement Plan**") shall immediately become eligible to participate in one or more retirement plans of Purchaser (including a defined contribution plan) that provide substantially comparable benefits in the aggregate as provided by Seller's Salaried Employees Retirement Plan as of the Closing Date, and shall, for eligibility and vesting purposes, be credited with the "service" credited under the terms of Seller's Salaried Employees Retirement Plan as if such service had been rendered to Purchaser, subject to Purchaser's rights to amend or terminate its retirement plans. Attached as Schedule 6.2 is a list of the Participating Salaried Employees (Retirement Plan) and each such employee's "service" for eligibility and vesting purposes as at the date indicated in such Schedule.

6.3 Seller's Hourly Pension Plan.

Seller shall cause all Hourly Apache Employees and Hourly Newsprint Employees that participate in the Abitibi Consolidated U.S. Hourly Employees Pension Plan ("**Seller's Hourly Pension Plan**") to become fully vested therein on the Closing Date. Purchaser agrees that all participants in the Seller's Hourly Pension Plan that are represented by a Collective Bargaining Agreement and who become Retained Employees shall immediately become eligible to participate in a defined benefit pension plan sponsored by Purchaser ("**Purchaser's Hourly Pension Plan**") and shall continue benefit accruals for such employees under Purchaser's Hourly Pension Plan at the benefit levels provided in Seller's Hourly Pension Plan on the Closing Date. Purchaser agrees that all participants in Seller's Hourly Pension Plan that are not represented by a Collective Bargaining Agreement and who become Retained Employees shall immediately become eligible to participate in one or more retirement plans of Purchaser (including a defined contribution plan) that provide substantially comparable benefits in the aggregate as provided by Seller's Hourly Pension Plan on the Closing Date. Under Purchaser's Hourly Pension Plan and other retirement plans, Retained Employees who formerly participated in Seller's Hourly Pension Plan, shall, for eligibility and vesting purposes, be credited with the "service" credited under the terms of Seller's Hourly Pension Plan as if such service had been rendered to Purchaser, subject to Purchaser's rights to amend or terminate its retirement plans. Attached as Schedule 6.3 is a list of (i) all participants in Seller's Hourly Pension Plan that are represented by a Collective Bargaining Agreement and such employees' "service" for eligibility and vesting purposes and (ii) all participants in Seller's Hourly Pension Plan that are not represented by a Collective Bargaining Agreement and such employees' "service" for eligibility and vesting purposes as at the date indicated in such Schedule.

6.4 Seller's Salaried 401(k) Plan.

Seller shall cause the Salaried Employees that participate in the Abitibi Consolidated 401(k) Plan for Salaried Employees ("**Seller's Salaried 401(k) Plan**") to become fully vested therein on the Closing Date. Purchaser agrees that all such Salaried Employees that become Hired Employees ("**Participating Salaried Employees (401(k) Plan)**") shall immediately become eligible to participate in a defined contribution plan sponsored by Purchaser ("**Purchaser's Salaried 401(k) Plan**"), and shall, for eligibility and vesting purposes, be credited with the "service" credited under the terms of Seller's Salaried 401(k) Plan as if such service had been rendered to Purchaser. Purchaser agrees to cause the Purchaser's Salaried 401(k) Plan to accept a "direct rollover" of a

Hired Employee's account balance from Seller's Salaried 401(k) Plan, including any outstanding Plan loan, and to continue any such loan in accordance with its existing terms in all material respects. Attached as Schedule 6.4 is a list of Participating Salaried Employees (401(k) Plan), together with a listing of each such employee's "service" for eligibility and vesting purposes as at the date indicated in such Schedule.

6.5 Seller's Hourly 401(k) Plan.

Effective as of the Closing Date, Purchaser shall fully assume, and succeed to all rights, obligations and duties of Seller with respect to the Abitibi Consolidated Sales Corporation Hourly Employees 401(k) Plan, including the applicable trust ("**Seller's Hourly 401(k) Plan**"), which covers Hourly Newsprint Employees who are represented by the Steelworkers and Hourly Apache Employees. Purchaser shall make appropriate amendments to Seller's Hourly 401(k) Plan to provide that Purchaser is the new sponsor of Seller's Hourly 401(k) Plan. The parties shall enter into the Pension Plans Assignment and Assumption Agreement in this regard and shall cooperate in transferring the Seller's Hourly 401(k) Plan's books and records to Purchaser.

6.6 IBEW Hourly Plans.

Effective as of the Closing Date, Purchaser shall fully assume, and succeed to all rights, obligations and duties of Seller with respect to the Abitibi Consolidated Sales Corporation Retirement and Savings Plans for I.B.E.W. Hourly Employees at its Snowflake Division, which cover Hourly Newsprint Employees who are represented by the IBEW (collectively, including the applicable trusts, the "**IBEW Hourly Defined Contribution Plans**"). Purchaser shall make appropriate amendments to the IBEW Hourly Defined Contribution Plans to provide that Purchaser is the new sponsor of the IBEW Hourly Defined Contribution Plans. The parties shall enter into the Pension Plans Assignment and Assumption Agreement in this regard and shall cooperate in transferring the IBEW Hourly Defined Contribution Plans' books and records to Purchaser.

6.7 Multiemployer Pension Plans.

Purchaser shall continue to contribute to the PACE Industry-Union Management Pension Fund (the "**Multiemployer Plan**") for substantially the same number of "contribution base units" for which Seller had an "obligation to contribute" (as those terms are defined in Section 4001(a)(11) and 4212 of ERISA, respectively) to the Multiemployer Plan pursuant to the Steelworkers Agreement. Purchaser shall provide the Multiemployer Plan for a period of five (5) plan years, commencing with the first plan year beginning on or after the Closing Date, an acceptable surety bond or escrow arrangement in the form and amount specified in Section 4204(a)(1)(B) of ERISA (the "**Multiemployer Plan Bond or Escrow**"), unless such bond or escrow arrangement is waived pursuant to the U.S. Department of Labor regulations under Section 4204 of ERISA. The Multiemployer Plan Bond or Escrow shall be paid to the Multiemployer Plan should Purchaser completely or partially withdraw from or fail to make a contribution to the Multiemployer Plan at any time during the first five (5) plan years beginning after the Closing Date. If on or after the Closing Date, and within the five (5) plan years of the Multiemployer Plan following the Closing Date, Purchaser withdraws from or fails to make a required contribution to the Multiemployer Plan, Purchaser will be solely liable to the Multiemployer Plan for any assessment of withdrawal liability. Pursuant to Section 4204(a)(1)(C) of ERISA, if Purchaser completely or partially withdraws from the Multiemployer Plan during the first five (5) plan years of the Multiemployer Plan beginning after the Closing Date, Seller acknowledges that it will be secondarily liable for any withdrawal liability it would have had to the Multiemployer Plan (but for Section 4204 of ERISA) if the withdrawal liability of

Purchaser to the Multiemployer Plan is not paid. Purchaser or Seller shall promptly notify the other party of any demand for payment of withdrawal liability received by it from the Multiemployer Plan. Upon presentation by the Multiemployer Plan to Seller or Purchaser of a participation agreement effective March 1, 2008, Purchaser shall execute such agreement with effect from and after the Closing Date.

6.8 Welfare Plans.

Effective as of the Closing Date, Purchaser shall provide group health, life insurance, long term disability and other welfare and fringe benefit plan coverage and benefits (for the purposes of this Section 6.8, "**Purchaser's Health, Welfare and Fringe Benefit Plans**") for Newsprint Employees and Apache Employees who are offered and accept employment with Purchaser as of the Closing Date and who otherwise qualify for such coverage or benefits. In the case of Hourly Newsprint Employees and Hourly Apache Employees, such coverage or benefits shall provide substantially comparable coverage and benefits in the aggregate as Seller's health, life insurance, welfare and fringe benefit plans provide (for the purposes of this Section 6.8, "**Seller's Health, Welfare and Fringe Benefit Plans**") and otherwise comply with the relevant Collective Bargaining Agreements and in part shall provide for Purchaser's assumption and continuation of Seller's Health, Welfare and Fringe Benefit Plans covering Hourly Newsprint Employees and Hourly Apache Employees. In the case of Salaried Employees, Purchaser shall offer substantially comparable coverage and benefits in the aggregate as provided under Seller's Health, Welfare and Fringe Benefit Plans, except for including retiree health and retiree life insurance. Purchaser may assume and continue any or all of Seller's Health, Welfare and Fringe Benefit Plans, except for Seller's health and dental benefits for Salaried Employees, coverage under which shall be provided to Retained Employees and Hired Employees in accordance with the terms of the Transitional Services Agreement. A Newsprint Employee's or Apache Employee's last continuous period of service with Seller or Apache shall be counted as if it had been service for Purchaser in determining eligibility for the coverage and benefits set forth in this Section 6.8. Attached as Schedule 6.8 is a list of the last continuous period of service of Newsprint Employees and Apache Employees as of the date set forth on Schedule 6.8. If Purchaser assumes and continues one or more of Seller's Health, Welfare and Fringe Benefit Plans, the parties shall enter into the Welfare Benefit Plans Assignment and Assumption Agreement in this regard.

6.9 Union Discussions.

In connection with Purchaser's proposed assumption of the respective Collective Bargaining Agreements, Seller agrees that Purchaser may, prior to the Closing Date, discuss, and if required, negotiate, with the United Steelworkers International Union (Local No. 2688) and the International Brotherhood of Electrical Workers (Local No. 518). Seller agrees to cooperate with Purchaser and to facilitate such discussions and, if required, negotiations, if requested by Purchaser.

6.10 Filipovic Canadian Benefits.

Purchaser agrees to assume and continue the employment arrangement of Mike Filipovic, as set forth in a letter dated May 2, 2007, a copy of which is attached as Schedule 6.10, including providing the Canadian pension plan benefits described therein, either through Purchaser's Canadian defined contribution pension plan or a comparable Canadian pension plan arrangement established by Purchaser. Seller and Purchaser shall cooperate in transferring to Purchaser's group RSP plan, the assets and applicable records related to Mike Filipovic's interest in Seller's Canadian defined contribution plan that currently covers Mike Filipovic.

7. CONDITIONS OF CLOSING

7.1 Conditions to Each Party's Obligation to Effect the Closing.

The respective obligation of each of the parties to effect the Closing shall be subject to the satisfaction (or waiver) at or prior to the Closing of each of the following conditions:

7.1.1 No law shall have been enacted or promulgated by any Governmental Entity that prohibits the consummation of the transactions contemplated herein or in the other Operative Agreements and there shall be no order or judgment in effect prohibiting consummation of such transactions; provided that the parties shall use their commercially reasonable efforts to have any such order or judgment vacated or lifted;

7.1.2 All consents, authorizations, waivers or approvals of any Governmental Entity (except for (i) that required by the DOJ, which is covered by Section 7.1.3, (ii) those required in respect of Material Permits, which are covered by Section 7.2.4, or (iii) those required pursuant to any Contracts to which a Governmental Entity is a party), including those required by FERC or any state or federal law or Governmental Entity controlling energy production and sales, as may be required to be obtained in connection with the execution, delivery or performance of this Agreement, the failure to obtain of which would prevent the consummation of the transaction contemplated hereby or would, individually or in the aggregate, be material to Apache or the Newsprint Assets, shall have been obtained; and

7.1.3 Written notice from the DOJ to Seller that the DOJ does not object to Purchaser, as prescribed in the Final Judgment, shall have been obtained.

7.2 Conditions to Obligations of Purchaser to Effect the Closing.

The obligations of Purchaser to effect the Closing shall be subject to the satisfaction (or waiver by Purchaser) at or prior to the Closing of each of the following conditions:

7.2.1 All of the representations and warranties of Seller set forth in this Agreement, considered collectively shall be true and correct as of the date of this Agreement and as of the Closing Date as if made on the Closing Date (or if made as of a specified date, only as of such date), except where the failure to be true and correct would not have a Material Adverse Effect (ignoring for the purposes of this Section 7.2.1 any qualifications relating to materiality or Material Adverse Effect contained in such representations and warranties).

7.2.2 Seller shall have performed in all material respects its obligations and complied in all material respects with all covenants and agreements required to be performed or complied with by it under this Agreement, considered collectively and not individually, provided that Seller's covenant in Section 5.16 shall not be included in making such determination.

7.2.3 Seller shall have obtained and delivered to Purchaser those items required by Section 2.2 (other than items required by Section 2.2.20 if the failure to deliver such items would not have a Material Adverse Effect).

- 7.2.4 Purchaser shall have obtained (i) all Material Permits (either by assignment from Seller or, if not assignable, a new Permit in the name of Purchaser), other than those listed on Schedule 3.17(b) and (ii) Title Insurance, whose premiums shall be paid, subject to Section 5.9.3, as follows: (a) Seller shall pay (the "**Standard Amount**") only the portion of the title insurance premium allocated to the "Standard" ALTA Owner's Title Policy for a policy in an amount equal to the portion of the Purchase Price estimated to be allocated to the Owned Real Property pursuant to this Agreement; and (b) Purchaser shall pay the balance of the title insurance premium (the "**Extended Amount**"), including the portion thereof applicable to (x) an "Extended" ALTA Owner's Policy, (y) the "Standard" ALTA Owner's Title Policy for the portion of the policy which is in excess of the portion of the Purchase Price estimated to be allocated to the Owned Real Property, if any, and (z) the cost of all title insurance endorsements.
- 7.2.5 Since the Balance Sheet Date, there has been no Material Adverse Effect.
- 7.2.6 An authorized officer of Seller shall have executed and delivered to Purchaser a certificate as to Seller's compliance with the conditions set forth in Sections 7.2.1, 7.2.2 and 7.2.5.
- 7.2.7 The closing of the transactions contemplated by the Rights Offering shall have occurred raising gross proceeds of not less than the Offering Amount and Purchaser shall have irrevocably tendered to the Trustee for the Subscription Receipts a Release and Payment Certificate providing for the exchange of the Subscription Receipts into common shares of Purchaser and the release of the gross proceed to Purchaser to be applied in payment of the Purchase Price.
- 7.3 Conditions to Obligations of Seller to Effect the Closing.
The obligations of Seller to effect the Closing shall be subject to the satisfaction (or waiver by Seller) at or prior to the Closing of each of the following conditions:
- 7.3.1 All of the representations and warranties of Purchaser set forth in this Agreement, considered collectively, shall be true and correct in all material respects as of the Effective Date and as of the Closing Date (or if made as of a specified date, only as of such date).
- 7.3.2 Purchaser shall have performed in all material respects any obligations and complied in all material respects with all covenants and agreements to be performed or complied with by it under this Agreement.
- 7.3.3 Purchaser shall have obtained and delivered to Seller those items required by Section 2.3 (other than items required by Section 2.3.14 if the failure to deliver such items would not have a Material Adverse Effect).
- 7.3.4 An authorized officer of Purchaser shall have executed and delivered to Seller a Certificate of Compliance as to compliance with the conditions set forth in Sections 7.3.1 and 7.3.2.
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7.4 Termination.

This Agreement may be terminated at any time prior to the Closing (the “**Termination Date**”) (such termination to be effective on the day notice of termination is validly given to the other party hereunder):

7.4.1 By the mutual written consent of Purchaser and Seller;

7.4.2 By Purchaser or Seller if any Governmental Entity issues an order or takes any other action (which order or other action the parties shall use their commercially reasonable efforts to lift) that permanently restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated herein and such order or other action shall have become final and non–appealable;

7.4.3 By either Purchaser or Seller if the Closing does not occur on or prior to May 30, 2008 (the “**Final Date**”); provided, that, the right to terminate this Agreement pursuant to this Section 7.4.3 shall not be available to any party (i) whose failure to take any action required to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to the Final Date or (ii) who is in material breach of its obligations under this Agreement;

7.4.4 By Seller if Purchaser breaches in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement that would give rise to the failure of a condition set forth in this Section 7, which breach (i) if curable, has not been cured (A) within thirty (30) days after the giving of written notice by Seller to Purchaser specifying such breach or (B) before the Final Date, which ever occurs first, or (ii) has not been waived in writing by Seller;

7.4.5 By either Seller or Purchaser if DOJ advises Seller in writing that DOJ objects to Purchaser;

7.4.6 By Trustee for any reason;

7.4.7 By Purchaser if Seller shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement that would give rise to the failure of a condition set forth in this Section 7, which breach (i) if curable, has not been cured (A) within thirty (30) days after the giving of written notice by Purchaser to Seller specifying such breach or (B) before the Final Date, which ever occurs first, or (ii) has not been waived in writing by Purchaser;

7.4.8 By Seller (in the case of clauses (i) – (vi)) or Purchaser (in the case of clause (v) or (vi)) if (i) the preliminary prospectus prepared in connection with the Rights Offering (the “**Preliminary Prospectus**”) is not filed by Purchaser with the Securities Commissions (as defined in the Standby Agreement) and the SEC (as defined in the Standby Agreement) on or before February 22, 2008 (and is not so filed before Seller terminates this Agreement), provided that if the Precedent Conditions are not satisfied on such date, such date shall be extended to the next day on which the Precedent Conditions are satisfied, (ii) the final prospectus prepared in connection with the Rights Offering (the “**Final Prospectus**”) is not filed by Purchaser with the Securities Commissions and the SEC on or before such date as will permit the Closing to occur (assuming for this

purpose that all other conditions to the Closing have been satisfied) on April 30, 2008 (and is not so filed before Seller terminates this Agreement), such date to be extended by the number of days, if any, that the filing of the Preliminary Prospectus was delayed beyond February 22, 2008 due to the failure of the Precedent Conditions to be satisfied, provided that if the Precedent Conditions are not satisfied on such date, such date shall be extended to the next day on which the Precedent Conditions are satisfied, (iii) the Rights Offering does not close on or before April 30, 2008 (and is not so closed before Seller terminates this Agreement) (such April 30, 2008 date to be extended by the number of days, if any, that the filing of the Preliminary Prospectus was delayed beyond February 22, 2008 and the filing of the Final Prospectus was delayed beyond the applicable filing date in clause (ii), in each case due to the failure of the Precedent Conditions to be satisfied), (iv) the Final Prospectus is not filed by May 10, 2008, (v) TAVIX exercises any of its termination rights under the TAVIX Oversubscription Agreement or the TAVIX Oversubscription Agreement otherwise terminates prior to the closing of the Rights Offering; or (vi) either of the Standby Purchasers exercises any of its termination rights under the Standby Agreement or the Standby Agreement is otherwise terminated prior to the closing of the Rights Offering; provided that if Seller desires to exercise its termination right pursuant to clause (ii) or (iii) of this Section 7.4.8, it must do so within three (3) Business Days following the date on which such termination right first arises.

- 7.4.9 By Purchaser if any of the conditions set forth in Sections 7.1 or 7.2 have not been satisfied or waived and are incapable of being satisfied by the Final Date; provided, that, the right to terminate this Agreement pursuant to this Section 7.4.9 shall not be available to Purchaser if (i) the failure by Purchaser to take any action required to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, any such conditions being incapable of being satisfied by the Final Date or (ii) Purchaser is in material breach of its obligations under this Agreement; or
- 7.4.10 By Seller if any of the conditions set forth in Sections 7.1 or 7.3 have not been satisfied or waived and are incapable of being satisfied by the Final Date; provided, that, the right to terminate this Agreement pursuant to this Section 7.4.10 shall not be available to Seller if (i) the failure of Seller to take any action required to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, any such conditions being incapable of being satisfied by the Final Date or (ii) Seller is in material breach of its obligations under this Agreement.
- 7.5 Effect of Termination.
- 7.5.1 Subject to Section 11.16, if this Agreement is terminated by any party pursuant to the terms hereof, this Agreement shall forthwith terminate and have no further force and effect and neither party shall have any obligations or liability hereunder, except that (i) the representations and warranties in Section 3.15 and Section 4.5 shall survive such termination indefinitely, (ii) the covenants and agreements set forth in Section 5.5, this Section 7.5.1, Section 11.4 and Section 11.5 shall survive such termination indefinitely and (iii) nothing in this Section 7.5.1 shall be deemed to release any party from any liability for any breach by such party of the terms of this Agreement or to impair the right of any party to compel specific performance by the other party of its obligations under this Agreement. Purchaser agrees that in no event will it file a *lis pendens* or any notice of pendency against the Real Property or any portion thereof.
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7.5.2 Notwithstanding anything herein contained, if this Agreement is terminated pursuant to Section 7.4.8 and at the time of such termination, Purchaser does not have the right to terminate this Agreement pursuant to Section 7.4 (other than pursuant to Section 7.4.8) then, in lieu of all other claims and remedies that might otherwise be available with respect thereto, including elsewhere hereunder and notwithstanding any other provision of this Agreement, Purchaser shall pay the Termination Fee to Seller within ten (10) Business Days following such termination, it being understood and agreed that in no event shall Purchaser be required to pay the Termination Fee on more than one occasion; provided that no Termination Fee shall be payable if (a) Seller terminates this Agreement pursuant to Section 7.4.8(iii) before May 29, 2008 and such termination is prior to the Expiry Time (as defined in the Standby Agreement), (b) Seller terminates this Agreement pursuant to Section 7.4.8(ii) or (c) the termination takes place later than April 30, 2008 and the DOJ has not yet provided written notice to Seller that it does not object to Purchaser, as prescribed in the Final Judgment.

8. SURVIVAL

The representations, warranties, covenants and agreements of Purchaser and Seller contained in this Agreement or in any other Operative Agreement will survive the Closing until the expiration of the "Survival Period," which shall be (i) the date that is fourteen (14) months after the Closing Date with respect to all representations and warranties (other than specified below); (ii) five (5) years following the Closing Date with respect to (x) the representations and warranties set forth in Sections 3.18 and 3.17 (insofar as it relates to Permits issued pursuant to Environmental Law) and (y) Seller's indemnification obligations pursuant to Section 9.1.2 (a), (b) and (c); (iii) indefinitely, with respect to (x) the representations and warranties set forth in Sections 3.1.1, 3.1.2, 3.2, 3.15, 3.16, 4.1, 4.2 and 4.5, (y) Seller's indemnification obligations pursuant to Sections 9.1.1(b), 9.1.2(d), and 9.1.2(e) and (z) Purchaser's indemnification obligation under Section 9.2 (other than breaches of representations and warranties under Section 9.2.1 which shall be governed by the other subclauses of this Section 8), (iv) six (6) months following the expiration of the statute of limitations with respect to (x) Section 3.8 and (y) Seller's indemnification obligations with respect to Section 9.1.1(c); and (v) with respect to each other covenant or agreement contained in this Agreement, until such time as such covenant or agreement has been fully performed (unless otherwise provided herein).

9. INDEMNIFICATION

9.1 Indemnification by Seller.

9.1.1 Subject to the other provisions of this Section 9, Seller agrees to indemnify and to hold each Purchaser Group Member harmless for, from and against any and all Losses incurred by such Purchaser Group Member to the extent arising from or relating to, directly or indirectly:

(a) any breach by Seller of any representations, warranties, covenants, obligations or agreements in this Agreement or in any other Operative Agreement (except to the extent that the amount of the Loss relating to such breach was taken into account in determining the Adjusted Closing Net Working Capital); it being agreed that the determination of whether Seller has breached a covenant, obligation or agreement shall be determined on an individual and not collective basis;

- (b) any Newsprint Retained Obligation; or
 - (c) any Indemnified Tax.
- 9.1.2 Subject to the other provisions of this Section 9, Seller agrees to indemnify and to hold each Purchaser Group Member harmless for, from and against any and all Losses incurred by such Purchaser Group Member to the extent arising from or relating to, directly or indirectly:
- (a) the Known Environmental Matters listed on Schedule 9.1.2;
 - (b) the violation by Seller or Apache of any Environmental Law or Permit issued pursuant to Environmental Law, on or prior to the Closing Date;
 - (c) the presence of Hazardous Substances in the soil and/or groundwater at, on, under, within or migrating from the Real Property, which exists prior to the Closing Date and gives rise to investigation and/or remediation under a requirement of applicable Environmental Law;
 - (d) contamination at any offsite location resulting from the disposal of, or arranging for the disposal of, any Hazardous Substances used, generated or stored by Seller with respect to the Newsprint Business or Apache (or any predecessor entity of Apache) with respect to the Railway Business prior to the Closing Time; provided however, it is understood and agreed that this Section 9.1.2(d) is not intended to and shall not be construed to include offsite migration of contamination from the Real Property; and
 - (e) any real property formerly owned, leased or operated by Seller in connection with the Newsprint Business or Apache (or any predecessor entity of Apache) in connection with the Railway Business.
- 9.1.3 (i) No Purchaser Group Member shall be entitled to any indemnification and Seller shall not be required to indemnify and hold any Purchaser Group Member harmless with respect to any Losses arising from any breach by Seller of any of its representations and warranties in Section 9.1.1(a) (for the avoidance of doubt, but not for any breach by Seller of its covenants, obligations or other agreements (other than Sections 9.1.2(a), 9.1.2(b) and 9.1.2(c) as set forth below), and excluding the representations and warranties in the last sentence of Section 3.22.1) or under Section 9.1.2(a), (b) and (c) until and unless such Losses exceed, in the aggregate, one percent (1%) of the Adjusted Purchase Price (without giving effect to Section 9.8) (the "**Deductible Amount**"), in which case Seller shall be liable only for the portion of the amount exceeding the Deductible Amount, and (ii) the aggregate amount that the Purchaser Group Members may claim and that Seller may be required to pay pursuant to this Agreement with respect to Losses arising from any breach by Seller of any of its representations and warranties in Section 9.1.1(a) (for the avoidance of doubt, but not for any breach by Seller of its covenants, obligations or other agreements (other than Sections 9.1.2(a), 9.1.2(b) and 9.1.2(c) as set forth below), and excluding the representations and warranties in the last sentence of Section 3.22.1) and pursuant to Section 9.1.2(a), (b) and (c) shall not exceed an aggregate amount equal to seventeen and one-half percent (17.5%) of the Adjusted Purchase Price (without giving effect to
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Section 9.8) (the “**Maximum Amount**”), provided, however, that in determining the amount of any Loss arising from any breach by Seller of any of its representations and warranties in Section 9.1.1(a) (for the avoidance of doubt, but not for any breach by Seller of its covenants, obligations or other agreements (other than Sections 9.1.2(a), 9.1.2(b) and 9.1.2(c) as set forth below), and excluding the representations and warranties in the last sentence of Section 3.22.1) or under Sections 9.1.2(a), (b) and (c), there shall not be included any Loss or series of related Losses that does not exceed twenty-five thousand Dollars (\$25,000) (the “**Minimum Amount**”).

- 9.1.4 The indemnifications provided for in this Section 9.1 and Section 9.2 shall in each case terminate at the end of the applicable Survival Period and no claims may be made by any Purchaser Group Member or Seller Group Member pursuant to this Agreement thereafter, except that (i) the indemnification by Seller or Purchaser shall continue as to any claim that any Purchaser Group Member or Seller Group Member has notified Seller or Purchaser, as the case may be, in accordance with the requirements of Section 9.3, 9.4 or 9.5, as the case may be, on or prior to end of the applicable Survival Period, as to which the obligation of Seller or Purchaser shall continue until the liability of Seller or Purchaser shall have been determined in accordance with this Section 9.

9.2 Indemnification by Purchaser.

Purchaser agrees to indemnify and to hold each Seller Group Member harmless for, from and against any and all Losses incurred by such Seller Group Member arising from or relating to, directly or indirectly:

- 9.2.1 any breach by Purchaser of any of its representations, warranties, covenants, obligations or agreements in this Agreement or in any other Operative Agreement;
- 9.2.2 any Assumed Obligation;
- 9.2.3 any liability or obligation of or related to Apache, except liabilities for which Purchaser is indemnified hereunder or Seller has otherwise agreed to pay under the terms of this Agreement or otherwise;
- 9.2.4 any and all liability and defense costs arising out of or relating to any claim for COBRA continuation coverage by any M&A Qualified Beneficiary;
- 9.2.5 (i) any liability incurred by Seller pursuant to its being secondarily liable for withdrawal liability under the Multiemployer Plan and (ii) any withdrawal liability assessed against Seller by the Multiemployer Plan as a result of the transactions contemplated by this Agreement;
- 9.2.6 any Tax Claim of Seller with respect to any Post-Closing Period;
- 9.2.7 all liabilities arising from the operation of the Newsprint Assets or the Newsprint Business on or after the Closing Date except liabilities for which Purchaser is indemnified hereunder or Seller has otherwise agreed to pay under the terms of this Agreement or otherwise;
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- 9.2.8 any liability arising from any action by Purchaser or its counsel, environmental consultants, investment bankers, financial sources, lenders, accountants and other representatives (A) pursuant to any sampling or testing conducted pursuant to the final sentence of Section 5.12(a) or (B) with respect to any matter described in Section 9.1.2, to the extent that Seller does not have an indemnity obligation to Purchaser hereunder;
- 9.2.9 the failure of Purchaser to timely pay the Termination Fee; and
- 9.2.10 the failure of Purchaser to obtain the unconditional and irrevocable release of Seller and its Affiliates as set forth in Section 2.3.7.

9.3 Method of Asserting Claims.

All claims for indemnification under Section 9, other than any Tax Claim (which shall be asserted and resolved as set forth in Section 9.4) and any Environmental Claim (which shall be asserted and resolved as set forth in Section 9.5), will be asserted and resolved as follows:

- 9.3.1 Subject to the provisions of each of Section 9.1 and Section 9.2, a party claiming indemnification (the "**Indemnified Party**") in respect of, arising out of or involving a claim or demand made by a third party against the Indemnified Party (a "**Third Party Claim**") shall deliver notice (a "**Claim Notice**") to the other party (the "**Indemnifying Party**") within fifteen (15) Business Days after receipt by the Indemnified Party of written notice of the Third Party Claim; provided, however, that failure to timely give such Claim Notice shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have (i) been prejudiced as a result of such failure or (ii) forfeited rights and defenses otherwise available to the Indemnifying Party as a result of such failure.
 - 9.3.2 In the case of a Third Party Claim, the Indemnifying Party shall be entitled to assume and control the defense and settlement thereof with counsel selected by the Indemnifying Party. Should the Indemnifying Party so assume the defense of a Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party for legal expenses subsequently incurred by the Indemnified Party in connection with the defense thereof. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right to employ counsel, at its own expense, separate from the counsel employed by the Indemnifying Party, provided that the Indemnifying Party shall be permitted to control such defense and any settlement. If the Indemnifying Party does not assume the defense of a Third Party Claim within thirty (30) days following a Claim Notice, the Indemnified Party, by notice to the Indemnifying Party, may employ its own counsel and control the defense of the Third Party Claim and the Indemnifying Party shall be liable for the reasonable fees and disbursements of one counsel employed by the Indemnified Party in each applicable jurisdiction, provided that in any such case the Indemnified Party shall diligently and in good faith contest such Third Party Claim. Whether the Indemnifying Party or the Indemnified Party controls the defense of any Third Party Claim, the parties shall cooperate in the defense thereof. Such cooperation shall include the retention and provision to the counsel of the controlling party of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a commercially reasonable, mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Indemnifying Party shall have the right to settle, compromise or discharge a Third
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Party Claim without the Indemnified Party's consent if such settlement, compromise or discharge (i) constitutes a complete and unconditional discharge and release of the Indemnified Party, (ii) does not include any statement as to or an admission of fault, culpability or a failure to act by, or on behalf of, any such Indemnified Party and (iii) provides for no relief other than the payment of monetary damages and such monetary damages are paid by the Indemnifying Party (subject to, if Seller is the Indemnifying Party, the Deductible Amount, the Minimum Amount and the Maximum Amount, as provided above). No Third Party Claim may be settled by the Indemnified Party without the written consent of the Indemnifying Party. If the Indemnified Party desires to settle a Third Party Claim, it shall provide the Indemnifying Party with a written document signed by the Person making the Third Party Claim and the Indemnified Party setting forth the terms of the proposed settlement (the "**Settlement Offer**"). The Indemnifying Party shall not unreasonably withhold its consent to such proposed settlement unless it agrees that it shall indemnify the Indemnified Party with respect to such Third Party Claim in accordance with this Section 9, subject to the Maximum Amount, the Minimum Amount and the Deductible Amount, provided that the amount of the final settlement or judgment with respect to such Third Party Claim that is in excess of the amount of the Settlement Offer shall not be subject to the Maximum Amount nor shall it be applied against the Maximum Amount.

- 9.3.3 If an Indemnified Party has a claim against any Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall deliver notice (an "**Indemnity Notice**") within thirty (30) days after the Indemnified Party has Knowledge of any claim that the Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement describing in reasonable detail the facts giving rise to any claim for indemnification and shall include in such Indemnity Notice the amount or the method of computation of the amount of such claim, and a reference to the provision of this Agreement upon which such claim is based, provided, however, that failure to timely give such Indemnity Notice shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have (i) been prejudiced as a result of such failure or (ii) forfeited rights and defenses otherwise available to the Indemnifying Party as a result of such failure. If the Indemnifying Party disputes its liability with respect to such claim, the Indemnifying Party and the Indemnified Party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within thirty (30) days, the Indemnified Party may commence an Action in connection therewith.
- 9.4 Tax Contests.
- 9.4.1 If any Taxing Authority asserts any Tax Claim, then the party hereto first receiving notice of such Tax Claim promptly shall provide written notice thereof to the other party. Such notice shall specify in reasonable detail the basis for such Tax Claim and shall include a copy of any relevant correspondence received from the Taxing Authority. However, failure to give such notice shall not affect the indemnification obligations under Section 9.1.1(c), except to the extent the Indemnifying Party shall have (i) been prejudiced as a result of such failure or (ii) forfeited rights and defenses otherwise available to the Indemnifying Party as a result of such failure.
- 9.4.2 Seller shall have the sole right to defend or prosecute, at its sole cost, expense and risk, any Tax Claim attributable to a Pre-Closing Period (except for any Tax Claim
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attributable to a Straddle Period); provided that in the case of a Tax Claim relating to Apache it (i) acknowledges its responsibility to provide indemnification with respect to such claim and (ii) notifies Purchaser in writing within thirty (30) days of being notified of such Tax Claim that it intends to defend such claim. Purchaser and its authorized representatives shall be entitled, at Purchaser's expense, to attend, but not participate in or control, all conferences, meetings and proceedings relating to any such Tax Claim attributable to a Pre-Closing Period. In the case of any such Tax Claim relating to Apache, Seller shall not settle or compromise such Tax Claim without Purchaser's consent (which shall not be unreasonably withheld, delayed or conditioned) if such settlement or compromise would have an adverse effect on Purchaser or Apache in any Post-Closing Period. Purchaser shall have the sole right to defend or prosecute, any Tax Claim attributable to a Straddle Period. With respect to a Tax Claim attributable to a Straddle Period, Purchaser shall not settle or compromise such Tax Claim without Seller's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). Seller and its authorized representatives shall be entitled, at Seller's expense, to attend, but not participate in or control, all conferences, meetings and proceedings relating to any Tax Claim attributable to a Straddle Period. Any party that does not have the right to defend or prosecute a particular Tax Claim shall take or cause to be taken such actions in connection with contesting such Tax Claim as the party defending or prosecuting such Tax Claim shall reasonably request from time to time. So long as Purchaser or Seller is defending or prosecuting a Tax Claim, Seller, Purchaser or Apache (as appropriate) shall provide or cause to be provided any information reasonably requested to the requesting party and relating to such Tax Claim. The parties shall otherwise cooperate with each other and each other's representatives in good faith in order to contest effectively such Tax Claim including any necessary powers of attorney required to contest such Tax Claim.

9.4.3 In the case of any Tax Claim that is defended or prosecuted to a Final Determination pursuant to this Section 9.4, the party responsible for such Tax pursuant to Section 5.11 shall pay the amount of any Tax arising or resulting from such Tax Claim within seven days after such Final Determination. In the case of any Tax Claim not covered by the preceding sentence, the party responsible for such Tax pursuant to Section 5.11 shall pay the full amount of any Tax arising or resulting from such Tax Claim, at least seven (7) days before the date payment of such Tax is due. At its election, Seller shall pay the amount of Tax attributable to any Tax Claim directly to the appropriate Taxing Authority and send evidence of such payment to Purchaser or Apache, as appropriate.

9.5 Environmental Procedures.

9.5.1 The Purchaser Group Members shall provide prompt written notice to Seller with respect to any claim for indemnification under Sections 9.1.1(a) (with respect to the representations in Section 3.18 and 3.17, insofar as it relates to Permits issued pursuant to Environmental Law) and 9.1.2 of any order, demand, notice of potential liability, complaint or claim for indemnification by any Governmental Entity or other third party, or any other claim for indemnification that does not result for a third-party claim, in each case that may result in indemnified Losses (an "**Environmental Claim**").

9.5.2 The Purchaser Group Members shall control the defense or negotiation (including, without limitation, any investigatory, response and remedial actions) of any Environmental Claim relating to the Real Property, including its compromise or

settlement, with counsel and environmental consultant selected by the Purchaser Group Members reasonably acceptable to Seller. No compromise or settlement in respect of such Environmental Claim may be reached by the Purchaser Group Members without Seller's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

- 9.5.3 Seller shall have the right to control the defense or negotiation (including any investigatory, response or remedial actions) of any Environmental Claim concerning any real property other than the Real Property, including its compromise or settlement, with counsel and environmental consultant selected by Seller reasonably acceptable to the Purchaser Group Members. No compromise or settlement in respect of such Environmental Claim may be reached by Seller without the Purchaser Group Members' prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed). If Seller has the right, but elects not to, control the defense of any such Environmental Claim, the Purchaser Group Members shall control the defense of any such Environmental Claim, including its compromise or settlement, with counsel and consultant selected by the Purchaser Group Members reasonably acceptable to Seller, and no compromise or settlement in respect of such Environmental Claim may be reached by the Purchaser Group Members without Seller's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).
- 9.5.4 The Purchaser Group Members or Seller, as the case may be, with respect to any matter managed and controlled by the other, with the exception of Seller-controlled matters arising under Section 9.1.2(d) or Section 9.1.2(e), shall have the right to (i) participate fully in any meetings or negotiations with any Governmental Entity or other third party (excluding meetings attended solely by counsel, consultants or other experts retained by the controlling party) with respect to any Environmental Claim, including the scope, nature and schedule for implementation of any action relating thereto and shall be provided with reasonable advance notice of the same; and (ii) review in advance and provide comments on any documents proposed to be submitted to Governmental Entities or other third parties, including any proposed or final work plan, report, compliance schedule, compliance or consent order, decree or agreement.
- 9.5.5 To the extent an Environmental Claim involves the remediation of or other response action to address a condition on any real property or implementation of a compliance plan to address a non-compliance with Environmental Laws at the Real Property, Seller's indemnification and reimbursement obligation shall be applicable to and include only the amount of any Losses attributable to such remediation or other response action or compliance plan performed or implemented by Purchaser or Seller, as the case may be, in a "Commercially Reasonable Manner", which for the purposes of this Section 9.5.5 shall mean cost-effective methods for such remediation or other response action or compliance plan permitted by applicable Environmental Laws for industrial, commercial, agricultural or, to the extent applicable, residential purposes, as the case may be, for which the relevant Real Property is used on the Closing Date, determined from the perspective of a reasonable business person whose purpose (without regard to the availability of indemnification hereunder) is to achieve compliance with Environmental Laws or minimize liability under Environmental Law or to third parties with respect to the matter giving rise to the Environmental Claim (it being understood that (i) such Commercially Reasonable Manner shall include, where feasible, the use of risk-based remedies, including natural attenuation, institutional or
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engineering controls, or deed restrictions, provided such remedies and controls do not unreasonably interfere with Purchaser's use of the Real Property or Purchaser's ability to conduct the Businesses in the manner conducted as of the Closing Date; (ii) with respect to remediation or other response action on property other than the Real Property, the Commercially Reasonable Manner shall reflect the clean-up standard for the then current use of such property or such other standard as is required by the owner of such real property; and (iii) in the event of an actual conflict between (x) a requirement under applicable Environmental Law or an order, direction or mandate by a Governmental Entity to the extent relating to the basis for the Environmental Claim giving rise to Seller's indemnification obligation and (y) what would otherwise be a Commercially Reasonable Manner, such requirement, order direction or mandate shall be deemed the Commercially Reasonable Manner). Seller and Purchaser Group Members agree that Purchaser Group Members may elect, for operational or other reasons in its discretion, to perform or implement a remediation or other response action or compliance plan at the Real Property that goes beyond what would be considered a "Commercially Reasonable Manner," provided Purchaser Group Members shall be solely responsible for any cost or expense in excess of the amount that would have been required to perform such remediation or other response action or implement such compliance plan in a Commercially Reasonable Manner and Seller shall have no indemnification obligation for such additional costs or expenses.

- 9.5.6 Seller shall not be required to indemnify any Purchaser Group Member for any Loss resulting from voluntary sampling of soil, sediment or groundwater conducted by or initiated through the action of Purchaser, other than such actions: (i) required pursuant to any Environmental Law or Permits issued pursuant to Environmental Law, (ii) reasonably necessary to respond to an imminent hazard or emergency situation, (iii) reasonably necessary to respond to any Third Party Claim, (iv) undertaken as the result of a reasonable diligence request with respect to any future sale or financing transaction, or (v) provided such sampling is of a nature normally undertaken in connection with the activities being performed, and subject to the limitations of Section 9.5.8, undertaken in connection with any construction, repair or maintenance activities, or performed in the ordinary course of business (which includes sampling that ensues as a reasonable response to conditions otherwise discovered in the ordinary course of business but not sampling conducted without such reasonable cause).
- 9.5.7 Seller shall not be required to indemnify any Purchaser Group Member for any Loss to the extent resulting from (i) a change in use of the Real Property from industrial use to commercial or residential use; (ii) a change in use of the areas identified on Schedule 9.5.7 (it being understood that closure of such areas shall not be considered a change in use); or (iii) Purchaser's failure to comply with the Voluntary Mitigation Use Restriction covering a portion of the Real Property recorded on December 23, 1998 at the Navajo County Records Office.
- 9.5.8 Seller shall not be required to indemnify any Purchaser Group Member for any Loss to the extent resulting from maintenance work (other than maintenance work normally performed by a prudent owner or operator of the Real Property), construction or demolition activities by or on behalf of any Purchaser Group Member on any areas identified on Schedule 9.5.8 unless such activities are required by Environmental Law or Permits issued pursuant to Environmental Law or ordered, directed or mandated by a Governmental Entity.
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9.6 Exclusive Remedy.

From and after the Closing, except for injunctive relief as contemplated by Section 11.16 and absent actual fraud, neither party shall be liable or responsible in any manner whatsoever to the other party (whether in contract, breach of warranty, tort or otherwise), whether for indemnification or otherwise, except for the indemnity obligations expressly provided in this Section 9 and any other indemnity obligations expressly provided for in this Agreement, which provide the exclusive remedies and causes of action of the parties with respect to any matter arising out of or in connection with this Agreement and the other Operative Agreements, and each party hereby expressly waives and releases any other claim or cause of action arising under law, including laws based on negligence or strict liability, or otherwise against the other party with respect to any matter, including environmental matters, arising out of or in connection with this Agreement and the other Operative Agreements.

9.7 Excluded/Included Damages.

The obligations of any Indemnifying Party pursuant to this Agreement shall not include any special, exemplary, punitive, indirect, incidental or consequential damages (including loss of profit or revenue or loss of use) incurred by the Indemnified Party, provided that this shall not limit any damages representing lost profits that Purchaser may incur due to lost production caused by a delay in the commencement of the Outage or in the performance of work in connection therewith, in accordance with and subject to Section 5.16. For the purposes of this Section 9, Losses shall be calculated without regard to any materiality or Material Adverse Effect or similar qualifier.

9.8 Taxes.

Purchaser and Seller agree that for purposes of computing the amount of any indemnification hereunder, any such indemnification payment shall be treated as an adjustment to the Adjusted Purchase Price for all Tax purposes.

9.9 Insurance and Mitigation.

The liability of an Indemnifying Party pursuant to this Section 9 shall be reduced by any insurance proceeds received by any Indemnified Party in respect of such claim, less all out-of-pocket costs and expenses incurred by such Indemnified Party in connection with obtaining such insurance proceeds (including reasonable attorneys' fees). Furthermore, an Indemnified Party shall use its commercially reasonable efforts (which shall be assessed without the benefit of hindsight) to mitigate any Losses with respect to which it wishes to seek indemnification hereunder, which obligation shall be limited to acting in a manner consistent in all material respects with the manner in which a reasonable person would have acted under similar circumstances if it was not entitled to indemnification hereunder; provided, that, any failure to so mitigate will only result in a reduction of Losses to the extent of any Loss attributable to such failure.

10. DEFINITIONS

10.1 Definitions.

As used in this Agreement, the following defined terms shall have the meanings indicated below:

- 10.1.1 “**338(h)(10) Elections**” has the meaning set forth in Section 1.11.
 - 10.1.2 “**Accounts Receivable**” has the meaning set forth in Section 1.1.1.
 - 10.1.3 “**Action**” means any action, suit, hearing, proceeding, arbitration, demand, claim, notice or Governmental Entity investigation or audit, whether civil, criminal, administrative or otherwise, including grievances.
 - 10.1.4 “**Adjusted Closing Net Working Capital**” has the meaning set forth in Section 1.9.2.
 - 10.1.5 “**Adjusted Purchase Price**” has the meaning set forth in Section 1.7.
 - 10.1.6 “**ADWR**” means the Arizona Department of Water Resources.
 - 10.1.7 “**Affiliate**” means, as applied to any Person, (i) any other Person directly or indirectly controlling, controlled by or under common control with, that Person, (ii) any other Person that owns or controls ten percent (10%) or more of any class of equity interest (including any equity interest issuable upon the exercise of any option, warrant, Contract right or convertible security) of that Person or any of its Affiliates, or (iii) any director, partner, officer, agent, employee or relative of such Person. For the purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by”, and “under common control with”) as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through ownership of voting securities or by Contract or otherwise.
 - 10.1.8 “**Affiliated Group**” means any affiliated group within the meaning of Code §1504(a) or any similar group defined under a similar provision of state, local or foreign law.
 - 10.1.9 “**Agreed Allocation**” has the meaning set for in Section 5.9.3.
 - 10.1.10 “**Agreement**” means this Agreement and the Exhibits and Schedules hereto and the certificates delivered in connection herewith, as same may be amended, modified, supplemented, restated or replaced from time to time in accordance with the terms hereof.
 - 10.1.11 “**Apache**” has the meaning set forth in the Recitals.
 - 10.1.12 “**Apache Collective Bargaining Agreements**” has the meaning set forth in Section 6.1.
 - 10.1.13 “**Apache Employees**” means employees of Apache who are employed on the Closing Date, including employees who are on military leave, sick leave, Family and Medical Leave Act leave, workers compensation, transitional work, long-term or short-term disability leave (whether pursuant to a Benefit Plan or required by Law).
 - 10.1.14 “**Apache Equipment Leases**” means the equipment leases set forth on Schedule 10.1.14.
 - 10.1.15 “**Apache Financial Statements**” has the meaning set forth in Section 3.4.2.
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- 10.1.16 “**Apache Inventory**” means all of the inventory of finished goods, work in process, raw materials and supplies of Apache as at the Closing Date.
- 10.1.17 “**Apache Leased Equipment**” means the equipment that is leased by Apache pursuant to the Apache Equipment Leases.
- 10.1.18 “**Apache Licensed Intellectual Property**” means Apache’s right, title and interest in the intellectual property set forth in Schedule 10.1.18.
- 10.1.19 “**Apache Owned Equipment**” means the machinery, equipment, parts, furniture, fixtures, tools, leasehold improvements, telephone systems, computer systems, motor vehicles and other fixed assets that are owned by Apache as at the Closing Date.
- 10.1.20 “**Apache Owned Real Property**” means the real property described on Schedule 10.1.20, together with Apache’s right, title and interest in and to all buildings, structures, fixtures and improvements thereon.
- 10.1.21 “**Apache Prepaid Items**” means any credits, prepaid expenses, deferred charges, advanced payments, prepaid items and claims for refunds or reimbursements against third parties (but excluding cash security or other deposits) relating to Apache.
- 10.1.22 “**Apache Purchase Price**” has the meaning set forth in Section 1.7.
- 10.1.23 “**Apache Shares**” has the meaning set forth in the Recitals.
- 10.1.24 “**APP Amendment Applications**” has the meaning set forth in Section 2.3.13.
- 10.1.25 “**Arizona Lease Application Form**” means the lease application form attached as Exhibit 10.1.25.
- 10.1.26 “**Arizona Lease Assignment and Assumption Agreement**” means, in respect of each Newsprint Real Property Lease, the assignment of lease and assumption of lease obligations agreement in the form attached as Exhibit 10.1.26.
- 10.1.27 “**Assignment and Assumption Agreement**” has the meaning set forth in Section 2.2.6.
- 10.1.28 “**Assumed Obligations**” has the meaning set forth in Section 1.5.
- 10.1.29 “**Assumed Redacted Contracts**” has the meaning set forth in Section 1.3.3.
- 10.1.30 “**Audited Financial Statements**” has the meaning set forth in Section 5.13.
- 10.1.31 “**Balance Sheet Date**” has the meaning set forth in Section 3.4.3.
- 10.1.32 “**Benefit Plan**” means any Plan established with respect to any Apache Employee or Newsprint Employee to which Apache or Seller or any ERISA Affiliate of Apache or of Seller contributes or has contributed on behalf of any Apache Employee or Newsprint Employee, or under which any such employee or any beneficiary thereof is covered, is eligible for coverage or has benefit rights.
- 10.1.33 “**Bill of Sale**” has the meaning set forth in Section 2.2.1.
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- 10.1.34 “**Books and Records**” means all files, documents, papers, books and records relating to a Person’s business, including with respect to accounts, customers (including credit related records), repair and performance.
- 10.1.35 “**BSBCA Agreement**” means the Group Master Contract (Group Contract No. 15885) effective as of April 1, 2001, between Blue Cross and Blue Shield of Arizona, Inc. and Abitibi Consolidated Inc., as amended.
- 10.1.36 “**Business Day**” means a day other than Saturday, Sunday or any day on which banks located in New York, New York, Vancouver, British Columbia or Montreal, Quebec are authorized or obligated to close.
- 10.1.37 “**Business Employees**” has the meaning set forth in Section 6.1.6.
- 10.1.38 “**Businesses**” means the Newsprint Business and the Railway Business and “**Business**” means either of such Businesses.
- 10.1.39 “**Carpenters**” has the meaning set forth in Section 6.1.
- 10.1.40 “**Carpenters Agreement**” has the meaning set forth in Section 6.1.
- 10.1.41 “**Claim Notice**” has the meaning set forth in Section 9.3.1.
- 10.1.42 “**Closing**” has the meaning set forth in Section 2.1.
- 10.1.43 “**Closing Date**” has the meaning set forth in Section 2.1.
- 10.1.44 “**Closing Net Working Capital**” has the meaning set forth in Section 1.9.1.
- 10.1.45 “**Closing Net Working Capital Statement**” has the meaning set forth in Section 1.9.1.
- 10.1.46 “**Closing Time**” has the meaning set forth in Section 2.1.
- 10.1.47 “**COBRA**” has the meaning set forth in Section 6.1.8.
- 10.1.48 “**Code**” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, and any successor legislation thereto.
- 10.1.49 “**Cogeneration Facility**” has the meaning set forth in Section 3.24.
- 10.1.50 “**Collective Bargaining Agreements**” means, collectively, the Newsprint Collective Bargaining Agreements and the Apache Collective Bargaining Agreements, and “**Collective Bargaining Agreement**” means any of them individually.
- 10.1.51 “**Confidential Business Information**” means all commercially sensitive information in any form heretofore or hereafter obtained by Seller to the extent relating to the Newsprint Business, the Newsprint Assets, Apache, or the Railway Business, whether pertaining to financial condition, results of operations, methods of operation or otherwise, other than information which is in the public domain through no violation of this Agreement and other than information to the extent relating to businesses of Seller and its Affiliates other than the Businesses.
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- 10.1.52 “**Confidential Information Memorandum**” means the Confidential Information Memorandum dated November 2007 prepared by Seller and Scotia Capital Inc. regarding the Businesses.
- 10.1.53 “**Confidentiality Agreement**” has the meaning set forth in Section 11.5.
- 10.1.54 “**Contract**” means any contract, agreement, arrangement or undertaking.
- 10.1.55 “**Covered Request**” has the meaning set forth in Section 5.9.
- 10.1.56 “**CPA Firm**” has the meaning set forth in Section 1.9.2.
- 10.1.57 “**Customers**” has the meaning set forth in Section 3.22.1.
- 10.1.58 “**Data Room**” means the electronic data room established and maintained by Seller’s counsel containing documents relating to the Businesses, Seller and Apache and made available to Purchaser.
- 10.1.59 “**Deductible Amount**” has the meaning set forth in Section 9.1.1.
- 10.1.60 “**Deed**” has the meaning set forth in Section 2.2.3.
- 10.1.61 “**DOJ**” means the United States Department of Justice.
- 10.1.62 “**Dollars**” or “**\$**” means United States dollars.
- 10.1.63 “**Effective Date**” has the meaning set forth in the Preamble.
- 10.1.64 “**Encumbrance**” or “**Encumber**” means any lien, mortgage, security interest, pledge, adverse claim, restriction on transferability, defect of title, or other claim, charge, or encumbrance of any nature whatsoever on any property or property interest, including any restriction on the use, voting, transfer, receipt of income, or other exercise of any attributes of ownership.
- 10.1.65 “**Environmental Claim**” has the meaning set forth in Section 9.5.1.
- 10.1.66 “**Environmental Laws**” means any foreign, federal, state or local law, statute, ordinance, rule, regulation, legally binding guidance document or directive, common law and all applicable judicial and administrative decisions, orders and decrees (collectively, “Laws and Standards”) that relate to pollution or protection of the environment or, insofar as such Laws and Standards relate to exposure to Hazardous Substances, human health or safety; in each case, as in effect on or prior to the Closing Date; provided, however, that solely for purposes of conducting any investigation, remediation, remedial action, monitoring or other response action (collectively, “Response Actions”) to address any Release or threatened Release of Hazardous Substances to soil, surface water, sediment or groundwater (collectively, “Applicable Environmental Media”) for which Seller has an indemnification obligation pursuant to Section 9, “Environmental Laws,” as applied to such Response Actions shall mean such Laws and Standards in effect at the time such Response Actions are performed with respect to any Applicable Environmental Media.
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- 10.1.67 “**Equipment**” means, collectively, the Owned Equipment and the Leased Equipment.
- 10.1.68 “**Equipment Leases**” means, collectively, the Newsprint Equipment Leases and the Apache Equipment Leases.
- 10.1.69 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.
- 10.1.70 “**ERISA Affiliate**” means any member of (i) a controlled group of corporations (as defined in Section 414(b) of the Code); (ii) a group of trades or businesses under common control (as defined in Section 414(c) of the Code); or (iii) an affiliated service group (as defined in Section 414(m) of the Code or the regulations under Section 414(o) of the Code).
- 10.1.71 “**Estimated Closing Net Working Capital Statement**” has the meaning set forth in Section 1.8.1.
- 10.1.72 “**Estimated Net Working Capital**” has the meaning set forth in Section 1.8.1.
- 10.1.73 “**Estimated Adjusted Purchase Price**” has the meaning set forth in Section 1.7.
- 10.1.74 “**Estimated Purchase Price Adjustment Amount**” has the meaning set forth in Section 1.8.2.
- 10.1.75 “**Excluded Assets**” has the meaning set forth in Section 1.3.1.
- 10.1.76 “**Excluded Contracts**” has the meaning set forth in Section 1.3.1.2.
- 10.1.77 “**Excluded Newsprint Customer Order Liabilities**” has the meaning set forth in Section 1.5.1.
- 10.1.78 “**Excluded Intellectual Property**” has the meaning set forth in Section 1.3.1.3.
- 10.1.79 “**Exhibit C**” has the meaning set forth in Section 6.1.3.
- 10.1.80 “**Expenses**” has the meaning set forth in Section 5.13.1.
- 10.1.81 “**Extended Amount**” has the meaning set forth in Section 7.2.4.
- 10.1.82 “**Fees**” has the meaning set forth in Section 5.13.1.
- 10.1.83 “**FERC**” means Federal Energy Regulatory Commission and its successors.
- 10.1.84 “**Final Date**” has the meaning set forth in Section 7.4.3.
- 10.1.85 “**Final Determination**” means (i) a decision, judgment, decree or other order by any court of competent jurisdiction, which decision, judgment, decree or other order has become final after all allowable appeals by either party to the action have been exhausted or the time for filing such appeals has expired, (ii) a closing agreement entered into under Section 7121 of the Code or any other settlement agreement entered into in connection with an administrative or judicial proceeding, (iii) the expiration of
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the time for instituting suit with respect to a claimed deficiency or (iv) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

- 10.1.86 **“Final Judgment”** means the final judgment entered by the United States District Court for the District of Columbia on October 23, 2007 in “United States of America v. Abitibi–Consolidated Sales Corporation and Bowater Incorporated”.
- 10.1.87 **“Final Prospectus”** has the meaning set forth in Section 7.4.8.
- 10.1.88 **“Financial Statements”** means the Newsprint Financial Statements and the Apache Financial Statements.
- 10.1.89 **“GAAP”** means United States generally accepted accounting principles, consistently applied throughout the specified period and in the immediately prior comparable period.
- 10.1.90 **“Governmental Entity”** means any federal, state or local government, any political subdivision thereof or any court, administrative or regulatory agency, department, instrumentality, body or commission or other governmental authority or agency.
- 10.1.91 **“Guaranty”** means the guaranty by AbitibiBowater Inc. made as of the Effective Date in favour of Purchaser.
- 10.1.92 **“Hazardous Substance”** means any waste, pollutant, contaminant, hazardous substance, toxic or corrosive substance, hazardous waste, special waste, industrial substance, by-product, process–intermediate product or waste, petroleum or petroleum–derived substance or waste, asbestos or asbestos containing material polychlorinated biphenyl (**“PCB”**) or PCB–containing equipment, chemical liquids or solids, liquid or gaseous products, or any constituent of any such substance or waste; in each case that are regulated by, or may form the basis of liability under, Environmental Law due to the hazardous, toxic, corrosive, explosive or dangerous nature of such substance or waste.
- 10.1.93 **“Hired Employee”** has the meaning set forth in Section 6.1.6.
- 10.1.94 **“Hourly Apache Employees”** means all Apache Employees who are compensated on an hourly, as opposed to salaried, basis, whether represented by the UTU or the Carpenters or not represented.
- 10.1.95 **“Hourly Newsprint Employees”** means all Newsprint Employees who are compensated on an hourly, as opposed to salaried, basis, whether represented by the Steelworkers or the IBEW or not represented.
- 10.1.96 **“IBEW”** has the meaning set forth in Section 6.1.
- 10.1.97 **“IBEW Agreement”** has the meaning set forth in Section 6.1.
- 10.1.98 **“IBEW Hourly Defined Contribution Plans”** has the meaning set forth in Section 6.6.
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- 10.1.99 “**Income Tax**” means any federal, state, local, or foreign income tax measured by or imposed on net income, including any interest, penalty, or addition thereto, whether disputed or not.
- 10.1.100 “**Income Tax Return**” means any return, declaration, report, claim for refund, or information return or statement relating to Income Taxes, including any schedule or attachment thereto.
- 10.1.101 “**Indemnified Party**” has the meaning set forth in Section 9.3.1.
- 10.1.102 “**Indemnified Tax**” means (i) all liabilities for Taxes (or the non-payment thereof) of (x) Seller with respect to the Newsprint Assets or the Newsprint Business and (y) Apache, for all Pre-Closing Periods, in each case in excess of the reserves for Taxes taken into account in determining Adjusted Closing Net Working Capital, (ii) all liabilities for Income Taxes for Pre-Closing Periods of any member of an Affiliated Group of which Apache (or any predecessor of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation § 1.1502-6 (or any analogous or similar state, local, or foreign law or regulation), (iii) any and all liabilities for Taxes of any Person imposed on Apache for Pre-Closing Periods as a transferee or successor, by contract or otherwise and (iv) any liability for Tax in any Post-Closing Period that would not be payable but for Seller’s breach of the representation made in Section 3.8.4.
- 10.1.103 “**Indemnifying Party**” has the meaning set forth in Section 9.3.1.
- 10.1.104 “**Indemnity Notice**” has the meaning set forth in Section 9.3.3.
- 10.1.105 “**Information Provider**” has the meaning set forth in Section 5.4.2.
- 10.1.106 “**Information Receiver**” has the meaning set forth in Section 5.4.2.
- 10.1.107 “**Intellectual Property Assets**” means the Newsprint Licensed Intellectual Property, the Apache Licensed Intellectual Property and the Newsprint Know How.
- 10.1.108 “**Interim Period**” has the meaning set forth in Section 5.3.
- 10.1.109 “**Inventory**” means the Newsprint Inventory and the Apache Inventory.
- 10.1.110 “**IRS**” means the Internal Revenue Service.
- 10.1.111 “**Joint Defense Agreement**” has the meaning set forth in Section 5.1(d).
- 10.1.112 “**Joint Defense Expense Agreement**” has the meaning set forth in Section 5.1(d).
- 10.1.113 “**Knowledge**” means, (i) with respect to Seller, the actual knowledge of (a) John McKee, James Willis, Pierre Rougeau, Martin Savoie and Melanie Allaire, (b) Skip Hellerud (with respect to Sections 3.18 and 3.17 (insofar as it relates to Permits issued pursuant to Environmental Law) only), (c) Jeff Comer (with respect to Sections 3.9 and 3.14 only), (d) Johanne Desjardins (with respect to Section 3.8 only), (e) Alice Minville (with respect to Section 3.10 only) and (f) Rob Kreizenbeck, Chuck Amos and Mike
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Filipovic (each with respect to Section 3.11 only), in each case, without independent investigation and, (ii) with respect to Purchaser, means the actual knowledge of Richard Garneau, Paul Einarson, David Smales and Valerie Seager, in each case, without independent investigation. For greater certainty, none of the foregoing individuals shall have any personal liability hereunder.

- 10.1.114 **“Leased Equipment”** means the Newsprint Leased Equipment and the Apache Leased Equipment.
- 10.1.115 **“Losses”** means demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including interest, penalties, and reasonable attorneys’ fees and disbursements.
- 10.1.116 **“Material Adverse Effect”** means any event, change, effect, condition or circumstance that has occurred that, individually or in the aggregate with any other event, change, effect, condition or circumstance, has, or would be reasonably be expected to have, a material adverse effect upon the condition (financial or otherwise), business, assets, properties, operations or results of operations of the Newsprint Business and the Railway Business taken as a whole, other than any such effect to the extent resulting or arising from (a) any failure by Seller (with respect to the Newsprint Business) or Apache to meet any internal projections, forecasts, or revenue or earnings predictions for any period ending on or after the Effective Date (provided that the underlying causes of such failures shall not be excluded); (b) any adverse change, effect, event, occurrence, state of facts or development to the extent attributable to the announcement or pendency of the transactions contemplated by this Agreement (including any cancellations of or delays in customer orders, any reduction in sales, any disruption in supplier, distributor, partner or similar relationships or any loss of employees, in each case, to the extent attributable to the announcement or pendency of the transactions contemplated by this Agreement); (c) any adverse change, effect, occurrence, state of facts or development attributable to conditions affecting (i) the industries in which the Newsprint Business and Apache operate (including fluctuating conditions resulting from cyclical, seasonality or weather patterns affecting the Newsprint Business and Apache, including their customers and suppliers), (ii) the U.S. or Canadian economy individually, or taken as a whole, (iii) the world economy, (iv) banking, financial or securities markets; (d) terrorist activities, hostilities or acts of war; (e) reductions of prices in response to reduction in prices offered by competitors; (f) any adverse change, effect, event, occurrence, state of facts or development resulting from or relating to compliance with the terms of, or the taking of any action required by, this Agreement or any of the other Operative Agreements; (g) any adverse change, effect, event, occurrence, state of facts or development after the date of this Agreement arising from or relating to any required change in accounting requirements or principles (including GAAP) or any change in applicable laws, rules or regulations or the interpretation or enforcement thereof, or other binding directives issued by Governmental Entity; or (h) any adverse change, effect, event, occurrence, state of facts or development arising from or relating to actions required to be taken under applicable laws, rules, regulations or Contracts; (i) any adverse change, effect, event, occurrence, state of facts or development arising from or relating to any act of Purchaser or any of its Affiliates or (j) any Permitted Encumbrances, Third Party Assets, Excluded Asset or Newsprint Retained Obligation; except in the cases of (c), (d), (e) or (g) above, only to the extent they do not adversely affect the Newsprint Business or the Railway Business in a
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disproportionate manner compared to other participants in the industries or markets in which the Newsprint Business or the Railway Business operate.

- 10.1.117 “**Material Contracts**” has the meaning set forth in Section 3.13.1.
 - 10.1.118 “**Material Permits**” has the meaning set forth in Section 3.17.
 - 10.1.119 “**Maximum Amount**” has the meaning set forth in Section 9.1.1.
 - 10.1.120 “**Minimum Amount**” has the meaning set forth in Section 9.1.1.
 - 10.1.121 “**Multiemployer Plan**” has the meaning set forth in Section 6.7.
 - 10.1.122 “**Multiemployer Plan Bond or Escrow**” has the meaning set forth in Section 6.7.
 - 10.1.123 “**Negotiation Period**” has the meaning set forth in Section 1.9.2.
 - 10.1.124 “**Net Working Capital**” means all current assets (other than cash) less all current liabilities of the Newsprint Business and Apache (including all liabilities relating to any employee retention arrangements referred to on Schedule 3.13.1), prepared in a manner consistent with GAAP, the Financial Statements and Schedule 10.1.124 (but excluding Excluded Assets and Newsprint Retained Obligations). For greater certainty, (i) accruals with respect to the Outage shall be included in the determination of Net Working Capital as contemplated by Section 5.16.4 and (ii) the liability of approximately sixty seven thousand Dollars (\$67,000) referred to in Section 5.15 that is being reversed by Seller shall not be included in the determination of Net Working Capital.
 - 10.1.125 “**Newsprint Acquired Books and Records**” has the meaning set forth in Section 1.1.13.
 - 10.1.126 “**Newsprint Assets**” has the meaning set forth in Section 1.1.
 - 10.1.127 “**Newsprint Assigned Permits**” has the meaning set forth in Section 1.1.11.
 - 10.1.128 “**Newsprint Business**” means the production of newsprint by Seller conducted with the Newsprint Assets at the facilities located on the Property and the production of medium for Stone Container pursuant to the Operating and Management Agreement, and all activities undertaken in connection therewith or incidental thereto, including the operation of the farm, the boilers and the electrical substation, the well field and the water lines connecting such well fields to the improvements, each of which is located on the Real Property.
 - 10.1.129 “**Newsprint Business Contracts**” has the meaning set forth in Section 1.1.10.
 - 10.1.130 “**Newsprint Collective Bargaining Agreements**” has the meaning set forth in Section 6.1.
 - 10.1.131 “**Newsprint Customer Orders**” has the meaning set forth in Section 1.1.8.
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- 10.1.132 “**Newsprint Employees**” means employees of Seller whose place of employment is the Real Property and who are employed on the Closing Date, including employees who are on military leave, sick leave, Family and Medical Leave Act leave, workers compensation, transitional work, long-term or short-term disability leave (whether pursuant to a Benefit Plan or required by Law).
- 10.1.133 “**Newsprint Equipment Leases**” has the meaning set forth in Section 1.1.6.
- 10.1.134 “**Newsprint Financial Statements**” has the meaning set forth in Section 3.4.1.
- 10.1.135 “**Newsprint Insurance Claims**” has the meaning set forth in Section 1.1.14.
- 10.1.136 “**Newsprint Intellectual Property Licenses**” has the meaning set forth in Section 1.1.7.
- 10.1.137 “**Newsprint Inventory**” has the meaning set forth in Section 1.1.2.
- 10.1.138 “**Newsprint Know How**” has the meaning set forth in Section 5.13.
- 10.1.139 “**Newsprint Leased Equipment**” has the meaning set forth in Section 1.1.6.
- 10.1.140 “**Newsprint Leased Real Property**” means, collectively, the immovable properties leased pursuant to the Newsprint Real Property Leases.
- 10.1.141 “**Newsprint Licensed Intellectual Property**” has the meaning set forth in Section 1.1.7.
- 10.1.142 “**Newsprint Owned Equipment**” has the meaning set forth in Section 1.1.5.
- 10.1.143 “**Newsprint Owned Real Property**” has the meaning set forth in Section 1.1.3.
- 10.1.144 “**Newsprint Prepaid Items**” has the meaning set forth in Section 1.1.15.
- 10.1.145 “**Newsprint Purchase Orders**” has the meaning set forth in Section 1.1.9.
- 10.1.146 “**Newsprint Purchase Price**” has the meaning set forth in Section 1.7.
- 10.1.147 “**Newsprint Real Property Leases**” has the meaning set forth in Section 1.1.4.
- 10.1.148 “**Newsprint Retained Obligations**” has the meaning set forth in Section 1.6.
- 10.1.149 “**Newsprint Water Rights**” has the meaning set forth in Section 1.1.16.
- 10.1.150 “**Nonassignable Right**” has the meaning set forth in Section 1.4.
- 10.1.151 “**Normalized Net Working Capital**” means one million two hundred thousand Dollars (\$1,200,000).
- 10.1.152 “**Notifying Party**” has the meaning set forth in Section 5.9.
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- 10.1.153 **“OCC Supply Agreement”** means that certain supply agreement to be entered into at the Closing between Seller or its applicable Affiliate, on the one hand, and Purchaser, on the other hand, in the form of Exhibit 10.1.153
- 10.1.154 **“Offering Amount”** means proceeds of not less than one hundred twenty-five million Dollars (\$125,000,000) and not greater than one hundred twenty-six million Dollars (\$126,000,000) to be raised under the Rights Offering.
- 10.1.155 **“ONP Supply Agreement”** means that certain supply agreement to be entered into at the Closing between Seller or its applicable Affiliate, on the one hand, and Purchaser, on the other hand, in the form of Exhibit 10.1.155.
- 10.1.156 **“Operating and Management Agreement”** means the Operating and Management Agreement dated as of October 15, 1998, by and between Seller and Stone Container.
- 10.1.157 **“Operative Agreements”** means this Agreement and any other Contract to be entered into pursuant to or in connection with this Agreement, including the Bill of Sale, the Assignment and Assumption Agreement, the Deed, the Guaranty, the ONP Supply Agreement, the OCC Supply Agreement, the Transitional Services Agreement, the Stone Container Assignment, the Pension Plans Assignment and Assumption Agreement, the Welfare Benefit Plans Assignment and Assumption Agreement, the Arizona Lease Assignment and Assumption Agreements and the APP Amendment Applications.
- 10.1.158 **“Outage”** means the outage for the Newsprint Business scheduled to commence on April 21, 2008.
- 10.1.159 **“Owned Equipment”** means the Newsprint Owned Equipment and the Apache Owned Equipment.
- 10.1.160 **“Owned Real Property”** means the Newsprint Owned Real Property and the Apache Owned Real Property.
- 10.1.161 **“Owned Tangible Real Assets”** means all Structures and all structural, mechanical, and other physical systems thereof that constitute part of the Owned Real Property, including the walls, roofs, and structural elements thereof and the heating, ventilation, air conditioning, plumbing, electrical, communications, mechanical, water, sewer, waste water, storm water, paving, and parking equipment, systems, and facilities included therein.
- 10.1.162 **“Participating Salaried Employees (401(k) Plan)”** has the meaning set forth in Section 6.4.
- 10.1.163 **“Participating Salaried Employees (Retirement Plan)”** has the meaning set forth in Section 6.2.
- 10.1.164 **“PBGC”** means the Pension Benefit Guaranty Corporation.
- 10.1.165 **“Pension Plans Assignment and Assumption Agreement”** means the assignment and assumption agreement attached as Exhibit 10.1.165.
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- 10.1.166 **“Permits”** means, collectively, all identification numbers, licenses, permits, certificates of authority, authorizations, approvals, registrations, franchises and similar consents required by any laws administered by any Governmental Entity, including those relating to Environmental Law and zoning.
- 10.1.167 **“Permitted Liens”** means (a) Encumbrances for Taxes and other governmental charges and assessments that are not yet due and payable, (b) Encumbrances of landlords, carriers, warehousemen, mechanics and materialmen, in each case arising in the ordinary course of business for sums not yet due and payable, (c) Encumbrances for water, sewer and other utility charges, (d) Encumbrances of title, easements, rights of ways, covenants, encumbrances, planning and zoning restrictions or other property rights that have either been disclosed in the Schedules or in the Surveys, if any, including any Encumbrances or imperfections of title set forth in the Title Commitment or that would be disclosed on a survey of such portion of the Real Property which is not covered by the Surveys, (e) with respect to the Owned Real Property, any applicable building and zoning ordinances, (f) Encumbrances of employees for salaries or wages earned but not yet paid, (g) Encumbrances of unpaid vendors of personal property, or other similar Encumbrances arising in the ordinary course of business, (h) any lease of personal property in which the lessor is Seller or Apache listed on Schedule 1.1.4, (i) Encumbrances set forth on Schedule 2.2.14 to be discharged on or prior to the Closing, and (j) all other matters affecting title that have been waived or consented to by Purchaser.
- 10.1.168 **“Person”** means any natural person, corporation, limited liability company, general partnership, limited partnership, other entity, trust, association or Governmental Entity.
- 10.1.169 **“Plan”** means any bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, employment, consulting, retention, change-in-control, leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, accident, disability, severance, separation or other employee benefit plan, practice, policy or arrangement of any kind, including, but not limited to, any “employee benefit plan” within the meaning of Section 3(3) of ERISA.
- 10.1.170 **“Post-Closing Adjustment Amount”** has the meaning set forth in Section 1.9.3.
- 10.1.171 **“Post-Closing Period”** means any taxable period or portion thereof beginning after the Closing Date. If a taxable period begins on or before the Closing Date and ends after the Closing Date, then the portion of any Tax which relates to the taxable period that begins after the Closing Date shall be deemed to be equal to the amount of Tax which would be payable if the taxable period began on the day after the Closing Date.
- 10.1.172 **“Precedent Conditions”** means with respect to a specified day that the Toronto Stock Exchange is open for business on such day and the divestiture period specified in Section IV of the Final Judgment has been extended such that such day is within the extension period.
- 10.1.173 **“Pre-Closing Period”** means any taxable period or portion thereof ending on or before the Closing Date. If a taxable period begins on or before the Closing Date and ends after the Closing Date, then the portion of any Tax which relates to the taxable period to
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and including the Closing Date shall be deemed to equal the amount of Tax which would be payable if the taxable period ended on the Closing Date.

- 10.1.174 “**Preliminary Prospectus**” has the meaning set forth in Section 7.4.8.
 - 10.1.175 “**Purchase Price**” has the meaning set forth in Section 1.7.
 - 10.1.176 “**Purchaser**” has the meaning set forth in the Preamble.
 - 10.1.177 “**Purchaser Group Members**” means collectively Purchaser and Apache and their respective directors, officers, employees, agents and Affiliates, and “**Purchaser Group Member**” means any of them individually.
 - 10.1.178 “**Purchaser Parties**” has the meaning set forth in Section 5.13.
 - 10.1.179 “**Purchaser’s Health, Welfare and Fringe Benefit Plans**” has the meaning set forth in Section 6.8.
 - 10.1.180 “**Purchaser’s Hourly Pension Plan**” has the meaning set forth in Section 6.3.
 - 10.1.181 “**Purchaser’s Objection**” has the meaning set forth in Section 1.9.2.
 - 10.1.182 Intentionally omitted.
 - 10.1.183 “**Purchaser’s Salaried 401(k) Plan**” has the meaning set forth in Section 6.4.
 - 10.1.184 “**Rail Carrier**” means (i) a Person providing common carrier railroad transportation for compensation, but does not include street, suburban, or interurban electric railways not operated as part of the general system of rail transportation, (ii) any rail carrier operating in the U.S., Canada, or Mexico in which a rail carrier holds a controlling interest, and (iii) all other rail carriers involved in the transactions contemplated by this Agreement, except that it does not include carriers that are involved in the transaction only by virtue of an existing trackage rights agreement. For the purposes of this definition only, “control” means, when referring to a relationship between Persons, actual control, legal control, and the power to exercise control, through or by (x) common directors, officers, stockholders, a voting trust, or a holding or investment company, or (y) any other means.
 - 10.1.185 “**Railway Business**” means the business and operation conducted by Apache.
 - 10.1.186 “**Real Property**” means the Owned Real Property and the Newsprint Leased Real Property.
 - 10.1.187 “**Real Property Affidavit**” has the meaning set forth in Section 2.2.9.
 - 10.1.188 “**Real Property Leases**” means (i) the Newsprint Real Property Leases and (ii) the leases of real property to which Apache is party as tenant, if any.
 - 10.1.189 “**Redacted Contracts**” has the meaning set forth in Section 1.3.3.
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- 10.1.190 “**Related Affiliates**” means a Person that is affiliated with a Rail Carrier if, because of the relationship between that Person and a Rail Carrier, it is reasonable to believe that the affairs of another Rail Carrier, control of which may be acquired by that Person, will be managed in the interest of the other Rail Carrier.
- 10.1.191 “**Related Party**” means any Affiliate of Seller or Apache.
- 10.1.192 “**Release**” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, dumping or disposing in the environment.
- 10.1.193 “**Retained Employees**” has the meaning set forth in Section 6.1.1.
- 10.1.194 “**Rights Offering**” means an offering of transferable rights to acquire subscription receipts of Purchaser, each such subscription receipt being convertible into a certain number, to be determined in accordance with the terms of such offering, of common shares of Purchaser upon the Closing, to the holders of record of Purchaser’s issued and outstanding common shares as of a date specified by Purchaser pursuant to a short form prospectus under Canadian Law and a registration statement pursuant to United States Law to raise the Offering Amount to be used to fund a portion of the Purchase Price, including the related rights and obligations of TAVIX under the TAVIX Oversubscription Agreement and the Standby Commitment of the Standby Purchasers under the Standby Agreement.
- 10.1.195 “**Salaried Apache Employees**” means all Apache Employees who are compensated on a salaried, as opposed to hourly, basis.
- 10.1.196 “**Salaried Employees**” means the Salaried Apache Employees and the Salaried Newsprint Employees, collectively.
- 10.1.197 “**Salaried Newsprint Employees**” means all Newsprint Employees who are compensated on a salaried, as opposed to hourly, basis.
- 10.1.198 “**Seller**” has the meaning set forth in the Preamble.
- 10.1.199 “**Seller Group Members**” means collectively Seller and its Affiliates and their respective directors, officers, employees and agents and “**Seller Group Member**” means any of them individually.
- 10.1.200 “**Seller’s Health, Welfare and Fringe Benefit Plans**” has the meaning set forth in Section 6.8.
- 10.1.201 “**Seller’s Hourly 401(k) Plan**” has the meaning set forth in Section 6.5.
- 10.1.202 “**Seller’s Hourly Pension Plan**” has the meaning set forth in Section 6.3.
- 10.1.203 “**Seller’s Salaried 401(k) Plan**” has the meaning set forth in Section 6.4.
- 10.1.204 “**Seller’s Salaried Employees Retirement Plan**” has the meaning set forth in Section 6.2.
- 10.1.205 “**Settlement Offer**” has the meaning set forth in Section 9.3.2.
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- 10.1.206 “**Snowflake Accounts Receivable**” has the meaning set forth in Section 1.1.1.
- 10.1.207 “**Snowflake Lease**” means the Ground Lease Agreement dated as of 2005, by and between Seller and Snowflake White Mountain Power, LLC, as amended, a copy of which was delivered or made available to Purchaser prior to the Effective Date.
- 10.1.208 “**Standard Amount**” has the meaning set forth in Section 7.2.4.
- 10.1.209 “**Standby Agreement**” means the standby agreement among the Purchaser and the Standby Purchasers dated February 10, 2008.
- 10.1.210 “**Standby Commitment**” means the commitment of each of the Standby Purchasers, severally (and not jointly and severally) to subscribe for subscription receipts representing up to an aggregate of twenty-five percent (25%) of the Offering Amount.
- 10.1.211 “**Standby Purchasers**” means Genuity Capital Markets and BMO Nesbitt Burns Inc.
- 10.1.212 “**Steelworkers**” has the meaning set forth in Section 6.1.
- 10.1.213 “**Steelworkers Agreement**” has the meaning set forth in Section 6.1.
- 10.1.214 “**Stipulation**” has the meaning set forth in Section 5.1(d).
- 10.1.215 “**Stone Container**” means Stone Container Corporation, a Delaware corporation.
- 10.1.216 “**Stone Container Assignment**” means the assignment and assumption agreement between Purchaser, Seller and, if Catalyst Paper Corporation has assigned this Agreement or its rights thereunder, Catalyst Paper Corporation, in the form attached as Exhibit 10.1.216.
- 10.1.217 “**Stone Container Guaranty**” means that certain guaranty made on October 15, 1998, by Abitibi Consolidated Inc. in favor of Stone Container and Stone Snowflake Newsprint Company.
- 10.1.218 “**Stone Container Lease**” means the Lease dated as of October 15, 1998, by and between Seller and Stone Container, as amended.
- 10.1.219 “**Straddle Period**” means a taxable period beginning on or before and ending after the Closing Date.
- 10.1.220 “**Structures**” means all buildings, structures, fixtures, facilities, and improvements on the Owned Real Property.
- 10.1.221 “**Surveys**” means the surveys listed on Schedule 3.10.1(a), copies of which were delivered or made available to Purchaser prior to the Effective Date.
- 10.1.222 “**Survival Period**” has the meaning set forth in Section 8.
- 10.1.223 “**TAVIX**” means Third Avenue International Value Fund.
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- 10.1.224 “**TAVIX Oversubscription Agreement**” means the oversubscription agreement between TAVIX and Purchaser dated February 10, 2008.
- 10.1.225 “**Tax**” or “**Taxes**” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Code), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.
- 10.1.226 “**Tax Claim**” means any written claim with respect to Taxes that, if pursued successfully could serve as the basis for a claim for indemnification under this Agreement.
- 10.1.227 “**Taxing Authority**” means any Governmental Entity of any United States federal, state or local jurisdiction, or any foreign jurisdiction having or purporting to exercise jurisdiction with respect to any Tax.
- 10.1.228 “**Tax Return**” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any Schedule or attachment thereto, and including any amendment thereof.
- 10.1.229 “**Termination Date**” has the meaning set forth in Section 7.4.
- 10.1.230 “**Termination Fee**” means six million five hundred thousand Dollars (\$6,500,000.00).
- 10.1.231 “**Third Party Assets**” has the meaning set forth in Section 1.3.2.
- 10.1.232 “**Third Party Claim**” has the meaning set forth in Section 9.3.1.
- 10.1.233 “**Title Commitment**” means the Commitment for Owner’s Title Insurance issued by Stewart Title Guaranty Company dated November 13, 2007 (Order Number 07100677), Amend. No. 1, Effective Date: February 4, 2008, as amended by the parties, a copy of which is attached as Exhibit 10.1.233.
- 10.1.234 “**Title Insurance**” means title insurance coverage in the ALTA 2006 Policy Form from any nationally recognized title insurance company related to the Owned Real Property, containing as exceptions only Permitted Liens and standard exceptions for policies of this type in the United States.
- 10.1.235 “**Trade Receivables**” has the meaning set forth in Section 1.1.1.
- 10.1.236 “**Transitional Services Agreement**” means that certain Transitional Services Agreement to be entered into at the Closing between Seller or any of its Affiliates on the one hand, and Purchaser, on the other hand, in the form of Exhibit 10.1.236.
- 10.1.237 “**Trustee**” means the trustee appointed pursuant to Part V of the Final Judgment.
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10.1.238 “**UTU**” has the meaning set forth in Section 6.1.

10.1.239 “**UTU Agreement**” has the meaning set forth in Section 6.1.

10.1.240 “**Violation**” means any and all violations of law, rules, regulations, ordinances, orders or requirements noted in or issued by any federal, state, county, municipal or other department or governmental agency having jurisdiction against or affecting the Real Property whenever noted or issued.

10.1.241 “**Water Rights Litigation**” means the action captioned “In Re: The General Adjudication of All Rights to Use Water in the Little Colorado River System and Source”, Superior Court, Apache County, Arizona, Civil Case No. 6417, and any contested cases or other proceedings conducted in connection with that action; and any other Action that in whole or in part concerns the same or similar subject matter, including any Action or claim for indemnity, contribution or reimbursement of any other Losses, under any legal, equitable or contractual theory, that may arise from that action.

10.1.242 “**Welfare Benefit Plans Assignment and Assumption Agreement**” means the assignment and assumption agreement attached as Exhibit 10.1.242.

10.1.243 “**Wells**” has the meaning set forth in Section 3.10.6.

10.2 Schedules and Exhibits.

The following Schedules and Exhibits are attached hereto and form an integral part of this Agreement:

- Schedule 1.1.3 Newsprint Owned Real Property
 - Schedule 1.1.4 Newsprint Real Property Leases
 - Schedule 1.1.6 Newsprint Equipment Leases
 - Schedule 1.1.7 Newsprint Intellectual Property Licenses
 - Schedule 1.1.10 Newsprint Business Contracts
 - Schedule 1.3.1.2 Excluded Contracts
 - Schedule 1.3.1.4 Excluded Seller’s Claims
 - Schedule 1.3.2 Third Party Assets
 - Schedule 1.3.3 Redacted Contracts
 - Schedule 1.5.3 Assumed Actions
 - Schedule 1.5.5 Specific Assumed Obligations
 - Schedule 2.2.14 Encumbrances to be Discharged
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Schedule 2.3.7	Guaranties and Letters of Credit
Schedule 3.1.2	Outstanding Shares of Apache
Schedule 3.3.3	No Violation (Seller)
Schedule 3.4.1	Unaudited Balance Sheets and Statements of Operation for the Newsprint Business
Schedule 3.4.2	Unaudited Balance Sheets and Statements of Operation for Apache
Schedule 3.4.3	Ordinary Course of Business
Schedule 3.5	Undisclosed Liabilities
Schedule 3.6	Actions
Schedule 3.7	Liabilities — Compliance with Laws and Orders
Schedule 3.8.5	Tax Disputes and Waivers of Statute of Limitation
Schedule 3.9.1(a)	List of Benefit Plans
Schedule 3.9.1(b)	Benefit Plans Document Not Provided
Schedule 3.9.2	Controlled Group, Single–Employer Defined Benefit Pension Plan Terminations, Multi Employer Plan withdrawals, Benefit Plan Contribution
Schedule 3.9.4	Qualified Benefit Plans Exceptions
Schedule 3.9.5	Payments
Schedule 3.9.8	Audits, Investigations, Proceedings
Schedule 3.10.1(a)	Description of Owned Real Property
Schedule 3.10.1(b)	Owned Real Property Encumbrances
Schedule 3.10.2	Illegal, Invalid or Non–Binding Real Property Lease
Schedule 3.10.3	Owed Real Property Exceptions
Schedule 3.10.4	Newsprint Water Rights
Schedule 3.10.5	Conservation Districts
Schedule 3.10.8	Unreviewed Title Exceptions
Schedule 3.11.1	Non–Operational Equipment
Schedule 3.11.2	Illegal, invalid or Non–Binding Equipment Leases

Schedule 3.11.3	Other Necessary Services
Schedule 3.12(a)	Intellectual Property Rights
Schedule 3.12(b)	Impairment of Rights in Intellectual Property Assets
Schedule 3.13.1	Material Contracts
Schedule 3.13.3(a)	Material Contracts Exceptions
Schedule 3.13.3(b)	No Material Default of Materials Contracts Exceptions
Schedule 3.13.3(c)	No Default of Other Parties to Materials Contracts Exceptions
Schedule 3.14.1	Employees
Schedule 3.14.2	Union Disputes, Grievances, Open Claims
Schedule 3.14.3	Arbitrations
Schedule 3.14.4	Written Agreements with Unions
Schedule 3.14.5	Layoffs
Schedule 3.16.1	Title Exceptions (Newsprint Assets)
Schedule 3.16.2	Title Exceptions (Apache Shares)
Schedule 3.17(a)	Material Permits
Schedule 3.17(b)	Non-Assignable Permits
Schedule 3.18	Environmental Matters
Schedule 3.19	Absence of Certain Changes
Schedule 3.21(a)	Related Party Transactions (Agreements)
Schedule 3.21(b)	Related Party Transactions (Balances/Receivables)
Schedule 3.22.1	Customers
Schedule 3.23	Shared Services
Schedule 4.3	No Violation (Purchaser)
Schedule 5.3	Conduct During Interim Period
Schedule 5.6	Intercompany Arrangements
Schedule 5.16(a)	Outage Capital Expenditures

Schedule 5.16(b)	Capital Improvements
Schedule 6.1.3	Exhibit C to the Steelworkers Agreement
Schedule 6.2	Salaried Newsprint Employees participating in Seller's Salaried Employees Retirement Plan
Schedule 6.3	Participants in the Seller's Hourly Pension Plan that are Represented by a Collective Bargaining Agreement
Schedule 6.4	Participating Salaried Employees (401(k) Plan)
Schedule 6.8	Period of Service of Employees
Schedule 6.10	Mike Filipovic Letter Agreement
Schedule 9.1.2	Known Environmental Matters
Schedule 9.5.7	Active Waste Management Areas
Schedule 9.5.8	Closed Landfills
Schedule 10.1.14	Apache Equipment Leases
Schedule 10.1.18	Apache Licensed Intellectual Property
Schedule 10.1.20	Apache Owned Real Property
Schedule 10.1.124	Net Working Capital
Exhibit 2.2.1	Bill of Sale
Exhibit 2.2.3	Deed
Exhibit 2.2.5	FIRPTA Certificate
Exhibit 2.2.6	Assignment and Assumption Agreement
Exhibit 2.2.9	Real Property Affidavit
Exhibit 2.3.1	Seller's Wire Instructions
Exhibit 10.1.26	Arizona Lease Assignment and Assumption Agreement
Exhibit 10.1.25	Arizona Lease Application Form
Exhibit 10.1.153	OCC Supply Agreement
Exhibit 10.1.155	ONP Supply Agreement
Exhibit 10.1.165	Pension Plans Assignment and Assumption Agreement

- Exhibit 10.1.216 Stone Container Assignment
- Exhibit 10.1.233 Title Commitment
- Exhibit 10.1.236 Transitional Services Agreement
- Exhibit 10.1.242 Welfare Benefit Plans Assignment and Assumption Agreement

10.3 Language.

Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement; (iv) the term "Section" refers to the specified Section of this Agreement; (v) the term "other party" refers to Seller, on the one hand, and Purchaser, on the other; (vi) the phrase "ordinary course of business" refers to the business and practice of Seller and (vii) the phrases "include" and "including" shall mean "include without limitation" and "including without limitation". All accounting terms used herein and not expressly defined herein shall have the meanings given to them under GAAP. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply "if". To the extent a Schedule is used to define a term, where such term is used in this Agreement such term shall also include such items that should have been included on such Schedule but were omitted.

11. MISCELLANEOUS

11.1 Notices.

All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given as provided below:

If to Seller:

Abitibi Consolidated Sales Corporation

c/o AbitibiBowater Inc.

1155 Metcalfe St.

Suite 800

Montreal, Quebec H3C 2R5

Facsimile No.: (514) 394-3644

Attn: Legal Department

with a copy (which shall not constitute notice) to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Avenue
26th Floor
Montreal, Quebec H3A3N9
Facsimile No.: (514) 841-6499
Attn: Sébastien Savage
If to Purchaser:
Catalyst Paper Corporation
3600 Lysander Lane
2nd Floor
Richmond, BC V7B 1C3
Facsimile No.: (604) 247-0551

Attn: Vice President and General Counsel
with a copy (which shall not constitute notice) to:
Fried, Frank, Harris Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
Facsimile No.: (212) 859-4000
Attn: Jeffrey Bagner

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon receipt (or if such day is not a Business Day or if received after normal business hours, on the next Business Day), (iii) if delivered by mail in the manner described above to the address as provided in this Section, be deemed given upon receipt provided that such notice is sent by certified mail and (iv) if delivered by overnight courier to the address as provided in this Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice is to be delivered pursuant to this Section). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other party. If any party refuses to accept delivery of a notice hereunder, such notice shall be deemed to have been received on the day such delivery is refused.

11.2 Entire Agreement.

This Agreement and the other Operative Agreements supersede all prior discussions and agreements between the parties with respect to the subject matter hereof and thereof and contain

the sole and entire agreement between the parties hereto with respect to the subject matter hereof and thereof (other than the Confidentiality Agreement).

11.3 Further Assurance.

If at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement or any other Operative Agreement, each of the parties shall take such further action (including the execution and delivery of such further instruments and documents) as any other party reasonably may request. Without limiting the generality of the foregoing, if after the Closing, Purchaser or Seller discovers that any Newsprint Asset was not assigned, conveyed, transferred, subleased, sold or delivered as contemplated herein or that any Assumed Obligation was not assumed as contemplated herein, Purchaser or Seller shall, upon written notice from the other party, in the case of Seller promptly take such further action as Purchaser reasonably may request to promptly convey such Newsprint Asset to Purchaser as contemplated herein, and in the case of Purchaser promptly take such further action as Seller reasonably may request to promptly assume such Assumed Obligation as contemplated herein.

11.4 Expenses.

Except as otherwise expressly provided in this Agreement, each party will pay its own costs and expenses incident to its negotiation and preparation of this Agreement and the other Operative Agreements and the performance of its obligations hereunder and thereunder.

11.5 Confidentiality Agreement.

Subject to Section 5.5, the Confidentiality Agreement dated November 15, 2007, between Seller and Purchaser (the "**Confidentiality Agreement**") remains in full force and effect until the Closing Date.

11.6 Waiver.

Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

11.7 Amendment.

This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party hereto.

11.8 No Third Party Beneficiary.

The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other Person other than any Person entitled to indemnity pursuant to this Agreement. Without limiting the foregoing, nothing in this Agreement is intended to or shall

confer upon any employee or former employee of Seller or Apache, any legal or equitable right, benefit or remedy of any nature whatsoever, including any right of employment for any specified period.

11.9 No Assignment; Binding Effect.

Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto without the prior written consent of the other party and any attempt to do so will be void; provided that (i) Purchaser shall be entitled to assign this Agreement on or prior to the Closing to a wholly-owned subsidiary of Purchaser, provided that such assignment shall not relieve Purchaser of its obligations hereunder and/or under the other Operative Agreements, and the consent of Seller shall not be required in order to do so, and (ii) Seller may assign this Agreement to the Trustee. Subject to the first sentence of this Section 11.9, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and permitted assigns.

11.10 Headings.

Section titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. The Schedules and Exhibits referred to herein shall be construed with and as an integral part of this Agreement to the same extent as if they were set forth verbatim herein. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any Schedules hereto is not intended to imply that such amounts, or higher amounts, or the items so included or other items, are material, and Purchaser shall not use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in a Schedule is material for the purposes of this Agreement.

11.11 Invalid Provisions.

If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

11.12 Governing Law.

This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

11.13 Submission to Jurisdiction; Consent to Service of Process.

11.13.1 Seller and Purchaser hereby irrevocably submit in any Action arising out of or related to this Agreement or any of the transactions contemplated hereby to the jurisdiction of

the United States District Court for the Southern District of New York and the jurisdiction of any court of the State of New York located in the Borough of Manhattan, State of New York and waive any and all objections to jurisdiction (including *forum non conveniens*) that they may have under the laws of the State of New York or the United States.

11.13.2 As a method of service, each of the parties hereto hereby irrevocably consents to the service of any and all process in any Action brought in any court in or for the State of New York by the deliveries of copies of such process to such party at its respective address set forth in Section 11.1 hereof or by certified mail direct to such address.

11.14 Construction.

The parties hereto agree that this Agreement is the product of negotiation between sophisticated parties and individuals, all of whom were represented by counsel, and each of whom had an opportunity to participate in and did participate in, the drafting of each provision hereof. Accordingly, ambiguities in this Agreement, if any, shall not be construed strictly or in favor of or against any party hereto but rather shall be given a fair and reasonable construction without regard to the rule of *contra proferentum*.

11.15 Counterparts.

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

11.16 Specific Performance.

The parties acknowledge and agree that any breach of the terms of this Agreement by either party would give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly the parties agree that, in addition to any other remedies, each party shall be entitled to enforce the terms of this Agreement against the other party by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy. Seller's sole and exclusive remedies following termination of this Agreement pursuant to Section 7.4.8 shall be the remedies set forth in Section 7.5.2 and (i) Seller shall not seek to recover any money damages in excess of such amount from Purchaser other than as provided in Section 9.2.9; and (ii) in no event shall any Affiliate or representative of Purchaser have any other liability or obligation relating to or arising out this Agreement or the transactions contemplated by this Agreement.

The Remainder of this Page Intentionally Left Blank

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by each party hereto as of the date first above written.

ABITIBI CONSOLIDATED SALES CORPORATION

by /s/ Colin Keele

Name: Colin Keele
Title:

/s/ Bree H. Blaine

Name: Bree H. Blaine
Title:

CATALYST PAPER CORPORATION

by /s/ [ILLEGIBLE]

Name:
Title:

FIFTH AMENDMENT

This Fifth Amendment (the "Agreement") to the Credit Agreement referred to below is dated as of April 30, 2008, by and among BOWATER INCORPORATED, a corporation organized under the laws of Delaware, in its capacity as Borrower under the Credit Agreement referred to below (the "Borrower"), certain Subsidiaries of the Borrower party hereto (the "Subsidiary Grantors"), AbitibiBowater Inc., a corporation organized under the laws of Delaware (the "Parent"), the Lenders and the Canadian Lenders party hereto (collectively, the "Consenting Lenders") pursuant to an authorization (in the form attached hereto as Exhibit A, each a "Lender Authorization") and WACHOVIA BANK, NATIONAL ASSOCIATION, as administrative agent (the "Administrative Agent") for the Lenders party to the Credit Agreement referred to below.

STATEMENT OF PURPOSE:

The Borrower, the Lenders, certain other financial institutions and the Administrative Agent are parties to the Credit Agreement dated as of May 31, 2006 (as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, as amended hereby and as further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

The Borrower has requested that the Administrative Agent, the Lenders and the Canadian Lenders agree to amend the Credit Agreement as more specifically set forth herein. Subject to the terms and conditions set forth herein, the Administrative Agent and each of the Consenting Lenders have agreed to grant such requests of the Borrower.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Capitalized Terms. Except as otherwise provided herein, all capitalized undefined terms used in this Agreement (including, without limitation, in the introductory paragraph and the statement of purpose hereto) shall have the meanings assigned thereto in the Credit Agreement (as amended by this Agreement) or the Collateral Agreement (as amended by this Agreement), as applicable.

2. Credit Agreement Amendments. The Credit Agreement is hereby amended by:

(a) Section 1.1 of the Credit Agreement is hereby amended by:

(i) amending and restating the following definitions

"New Borrower Mortgages" means those certain mortgages, deeds of trust, security agreements, subordination agreements or other real property security documents encumbering the New Borrower Fixed Assets, in each case in form and substance reasonably satisfactory to the Administrative Agent and the Canadian Administrative Agent and executed by the applicable New Borrower in favor of the Administrative Agent, for the ratable benefit of the Secured Parties and the Canadian Secured Parties, as

amended, restated, supplemented or otherwise modified from time to time. Unless specifically excluded, the Supplemental New Borrower Mortgage shall be a New Borrower Mortgage.

“New Borrowers” means (a) Bowater Alabama LLC (formerly known as Bowater Alabama, Inc.), an Alabama limited liability company (the “Coosa Pines Borrower”), (b) Bowater Newsprint South LLC, a Delaware limited liability company (“BNS Holdings”) and (c) Bowater Newsprint South Operations LLC (formerly known as Bowater Newsprint South, Inc.), a Delaware corporation and the successor by merger to Bowater Mississippi, LLC (the “Grenada Borrower”).

(ii) adding the following new definition in proper alphabetical order:

“Supplemental New Borrower Mortgage” means that certain mortgage, deed of trust, security agreement, subordination agreement or other real property security document encumbering a fee interest in the Coosa Pines Mill and a leasehold interest in the Coosa Pines Real Property or otherwise subordinating the interests of the Industrial Development Board of the City of Childersburg, a public corporation duly organized and existing under the laws of the State of Alabama (such Person, the “Supplemental New Borrower Mortgagor”), in the Coosa Pines Mill or Coosa Pines Real Property to the interests of the Administrative Agent and the Canadian Administrative Agent therein, in each case in form and substance reasonably satisfactory to the Administrative Agent and the Canadian Administrative Agent and executed by the Supplemental New Borrower Mortgagor in favor of the Administrative Agent, for the ratable benefit of the Secured Parties and the Canadian Secured Parties, as amended, restated, supplemented or otherwise modified from time to time.

“Supplemental New Borrower Mortgagor” has the meaning set forth in the definition of Supplemental New Borrower Mortgage.

(b) Amendment to Section 5.3. The following new subsection (d) shall be added to Section 5.3:

“(d) Delivery of Documentation Pursuant to Section 8.10(e)(ii). If the requested borrowing, conversion or continuation of any Loan or the requested issuance or extension of any Letter of Credit would cause the aggregate principal amount of all Obligations outstanding as of the date of such borrowing, conversion, continuation, issuance or extension (after giving effect to the requested borrowing, conversion, continuation shall have received each item required to be delivered thereto pursuant to Section 8.10(e)(ii)(A), 8.10(e)(ii)(B), 8.10(e)(ii)(C) and 8.10(e)(ii)(D), in all cases, in accordance with the terms and provisions thereof (or as such terms and conditions may be amended, modified or waived in accordance with the terms of Section 13.2.”

(c) Amendment to Section 8.10. Clause (ii) of subsection (e) of Section 8.10 of the Credit Agreement is hereby amended and restated as follows:

“(ii) New Borrower Loan Documentation.

(A) As soon as practicable, but in no event later than April 15, 2008, the Administrative Agent shall have received:

(1) evidence satisfactory to the Administrative Agent that the Borrower shall be diligently pursuing in good faith the rendering of the solvency opinions referred to in Sections 8.10(e)(ii)(B) and 8.10(e)(ii)(C) by a third party consultant reasonably acceptable to the Administrative Agent (including having delivered to such third party consultant all financial and other information necessary to provide the basis for the delivery of such solvency opinion); and

(2) information, in form and substance reasonably satisfactory to the Administrative Agent, confirming (x) that the New Borrowers own, free and clear of any Liens, the New Borrower Fixed Assets and (y) the ability of the New Borrowers to grant to the Administrative Agent, on behalf of the Secured Parties and the Canadian Secured Parties, a perfected first priority security interest in the New Borrower Fixed Assets without the consent or approval of any third Person; and

(B) As soon as practicable, but in no event later than May 15, 2008, the Administrative Agent shall have received:

(1) a copy of a solvency opinion from Houlihan Lokey Howard & Zukin Financial Advisors, Inc. or another opinion provider reasonably acceptable to the Administrative Agent as to the solvency of the Original Borrower after giving effect to the New Borrower Transactions and the transactions contemplated by the Fourth Amendment, this Agreement and the joinder agreement referred to in clause (2) below and such other matters as the Lenders shall request (which such opinion shall expressly permit reliance (or be accompanied by a letter, in form and substance satisfactory to the Administrative Agent, executed by the opinion provider that expressly permits reliance) by the Administrative Agent, the Lenders and any successors and assigns of the Administrative Agent or any Lender);

(2) a duly executed joinder agreement, in form and substance reasonably satisfactory to the Administrative Agent, joining each New Borrower to the Credit Agreement, the Intercompany Subordination Agreement and any other applicable Loan Documents;

(3) such updated Schedules to the Loan Documents as requested by the Administrative Agent or the Canadian Administrative Agent with regard to the New Borrowers (including, without limitation, an updated Schedule 6.1 (b));

(4) a certificate of a Responsible Officer of each New Borrower certifying as to the incumbency and genuineness of the signature of each officer of each New Borrower executing the Loan Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (w) the articles or certificate of incorporation or formation of each New Borrower and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation or formation, (x) the bylaws or other governing document of each New Borrower as in effect on the date hereof, (y) resolutions duly adopted by the board of directors or other governing body of each New Borrower authorizing the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (z) certificates as of a recent date of the good standing of each New Borrower under the laws of its jurisdiction of incorporation or formation;

(5) an originally executed counterpart of a collateral agreement, in form and substance satisfactory to the Administrative Agent, executed by each New Borrower in favor of the Administrative Agent and the other Secured Parties and all other Security Documents entered into in connection therewith (the "New Borrower Security Documents"), together with all schedules, exhibits and annexes thereto;

(6) all filings and recordations that are necessary to perfect the security interests of the Administrative Agent, on behalf of itself and the other Secured Parties, in the Collateral granted by each New Borrower under the New Borrower Security Documents and evidence satisfactory to the Administrative Agent that upon such filings and recordations such security interests constitute valid and perfected first priority Liens therein;

(7) the results of a Lien search (including a search as to judgments, pending litigation and tax matters) made against each New Borrower under the Uniform Commercial Code (or applicable judicial docket) as in effect in each jurisdiction in which filings or recordations under the Uniform Commercial Code should be made to evidence or perfect security interests in all assets of each New Borrower, indicating among other things that the assets of each New Borrower are free and clear of any Liens (except Permitted Liens);

(8) evidence in form and substance reasonably satisfactory to the Administrative Agent confirming: (x) the adequacy and effectiveness of the property and liability insurance coverage of the Borrower (including, without limitation, coverage of each New Borrower) and its Subsidiaries and (y) the interest of the Administrative Agent (as loss payee and additional insured and, with respect to the real property subject to the New Borrower Mortgages (other than the Supplemental New Borrower Mortgage), as mortgagee) with respect to such insurance coverage;

(9) a duly executed counterpart of each New Borrower Mortgage (other than the Supplemental New Borrower Mortgage);

(10) all filings and recordations that are necessary to perfect the security interests of the Administrative Agent, on behalf of itself, the other Secured Parties and the Canadian Secured Parties, in the Collateral granted by each New Borrower under each New Borrower Mortgage (other than the Supplemental New Borrower Mortgage) and evidence satisfactory to the Administrative Agent that upon such filings and recordations such security interests constitute valid and perfected first priority Liens therein;

(11) duly executed copies of amended and restated Notes to replace the Notes issued to the applicable Lenders on or prior to the date each New Borrower is joined pursuant to clause (2) above;

(12) the original New Borrower Note, along with a blank endorsement executed by the Original Borrower (which such endorsement shall be in form and substance satisfactory to the Administrative Agent);

(13) favorable opinions of counsel of each New Borrower addressed to the Administrative Agent and the Lenders with respect to the New Borrowers, this Agreement, each of the New Borrower Mortgages (other than the Supplemental New Borrower Mortgage) and the other Loan Documents to which the New Borrowers are a party and such other matters as the Lenders shall reasonably request (which such opinions shall expressly permit reliance by successors and assigns of the Administrative Agent or any Lender); and

(14) such other instruments, documents and certificates as the Administrative Agent shall reasonably request.

(C) As soon as practicable, but in no event later than May 22, 2008, the Administrative Agent shall have received a copy of a solvency opinion from Houlihan Lokey Howard & Zukin Financial Advisors, Inc. or another opinion provider reasonably acceptable to the Administrative Agent as to the solvency of each of the New Borrowers (other than BNS Holdings if BNS Holdings is a holding company that holds only the Capital Stock of the Coosa Pines Borrower and the Grenada Borrower and has no creditors other than the Lenders), in each case after giving effect to the New Borrower Transactions and the transactions contemplated by the Fourth Amendment, this Agreement and the joinder agreement referred to in Section 8.10(e)(i)(B)(2) above and such other matters as the Lenders shall request (which such opinion shall expressly permit reliance (or be accompanied by a letter, in form and substance satisfactory to the Administrative Agent, executed by the opinion provider that expressly permits reliance) by the Administrative Agent, the Lenders and any successors and assigns of the Administrative Agent or any Lender).

(D) As soon as practicable, but in no event later than May 30, 2008, the Administrative Agent shall have received:

(1) to the extent reasonably requested by the Administrative Agent, evidence in form and substance reasonably satisfactory to the Administrative Agent confirming the interest of the Administrative Agent as loss payee, additional insured and mortgagee with respect to the Coosa Pines Mill and Coosa Pines Real Property subject to the Supplemental New Borrower Mortgage;

(2) a duly executed counterpart of the Supplemental New Borrower Mortgage;

(3) all filings and recordations that are necessary to perfect the security interests of the Administrative Agent, on behalf of itself, the other Secured Parties and the Canadian Secured Parties, in the Collateral granted by the Supplemental New Borrower Mortgage, and evidence satisfactory to the Administrative Agent that upon such filings and recordations such security interests constitute valid and perfected first priority Liens therein (or, to the extent acceptable to the Administrative Agent, evidence satisfactory to the Administrative Agent that upon delivery of the Supplemental New Borrower Mortgage, all right, title and interest of the Supplemental New Borrower Mortgage shall be subordinated in all respects to the security interests of the Administrative Agent, on behalf of itself, the other Secured Parties and the Canadian Secured Parties, with respect to the interests subject to the Supplemental New Borrower Mortgage);

(4) favorable opinions of counsel of the Supplemental New Borrower Mortgage addressed to the Administrative Agent and the Lenders with respect to the Supplemental New Borrower Mortgage and such other matters as the Lenders shall reasonably request (which such opinions shall expressly permit reliance by successors and assigns of the Administrative Agent or any Lender); and

(5) such other instruments, documents and certificates as the Administrative Agent shall reasonably request.

(E) Within forty-five (45) days of the date upon which each New Borrower is joined as a Credit Party pursuant to Section 8.10(e).

(ii)(B):

(1) a final title policy, insuring the first priority Liens of the Secured Parties and the Canadian Secured Parties and showing no Liens prior to the Liens of the Secured Parties and the Canadian Secured Parties (other than for ad valorem taxes not yet due and payable) and containing only such other customary title exceptions as are reasonably acceptable to the Administrative Agent, with title insurance companies acceptable to the Administrative Agent, on each of the Coosa Pines Mill Real Property and Grenada Mill Real Property (it being agreed that the Borrower and its

Subsidiaries shall provide or obtain any customary affidavits and indemnities as may be required or necessary to obtain title insurance satisfactory to the Administrative Agent);

(2) copies of all recorded documents creating exceptions to the title policies referred to in Section 8.10(e)(ii)(E)(1);

(3) a certification form of a certification from the National Research Center, or any successor agency thereto, regarding each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property;

(4) copies of as-built surveys of a recent date of each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property, in each case certified as of a recent date by a registered engineer or land surveyor. Each such survey shall be accompanied by an affidavit (a "Survey Affidavit") of an authorized signatory of the owner of such property stating that there have been no improvements or encroachments to the property since the date of the respective survey such that the existing survey is no longer accurate. Each such survey shall show the area of such property, all boundaries of the land with courses and distances indicated, including chord bearings and arc and chord distances for all curves, and shall show dimensions and locations of all easements, private drives, roadways, and other facts materially affecting such property, and shall show such other details as the Administrative Agent may reasonably request, including, without limitation, any encroachment (and the extent thereof in feet and inches) onto the property or by any of the improvements on the property upon adjoining land or upon any easement burdening the property; any improvements, to the extent constructed, and the relation of the improvements by distances to the boundaries of the property, to any easements burdening the property, and to the established building lines and the street lines; and if improvements are existing, (x) a statement of the number of each type of parking space required by Applicable Laws, ordinances, orders, rules, regulations, restrictive covenants and easements affecting the improvement, and the number of each such type of parking space provided, and (y) the locations of all utilities serving the improvement;

(5) a Phase I environmental assessment and such other environmental report reasonably requested by the Administrative Agent regarding each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property, in each case prepared by an environmental engineering firm acceptable to the Administrative Agent showing no environmental conditions in violation of Environmental Laws or liabilities under Environmental Laws, either of which could reasonably be expected to have a Material Adverse Effect; and

(6) such other certificates, documents and information (including, without limitation, engineering and structural reports,

permanent certificates of occupancy and evidence of zoning compliance, in each case, with respect to each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property) as may be reasonably requested by the Administrative Agent, all in form, consent and scope reasonably satisfactory to the Administrative Agent.”

(c) Amendment to Section 11.1 (d), Section 11.1(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(d) The Borrower or any other Credit Party shall default in the performance or observance of any covenant or agreement contained in Sections 5.4, 7.1 (other than, solely during the time period from the Fourth Amendment Effective Date through the Conversion Date, any reporting required pursuant to subsections (g) and (h) thereof (it being agreed and acknowledged that subsections (g) and (h) thereof shall be subject to this subsection (d) on and after the Conversion Date)), 7.2, 7.5(e)(i), 8.2(b)(ii), 8.10(e)(i), 8.10(e)(ii), or Articles IX or X.”

3. Amendment to Collateral Agreement. The Collateral Agreement is hereby amended by adding the following new clause (d) to Section 4.9:

“(d) No Partnership/LLC Interests issued by any Grantor (i) shall be traded on a Securities exchange or in Securities markets, (ii) shall by their terms expressly provide that they are Securities governed by Article 8 of the UCC, (iii) shall be Investment Company Securities, (iv) shall be held in a Securities Account or (iv) shall be certificated unless such certificates are delivered to the Administrative Agent with appropriate instruments of transfer.”

4. Conditions to Effectiveness. Upon the satisfaction of each of the following conditions, this Agreement shall be deemed to be effective as of the date hereof:

- (a) the Administrative Agent shall have received counterparts of this Agreement executed by the Administrative Agent (on behalf of itself and each of the Consenting Lenders by virtue of each Consenting Lender’s execution of a Lender Authorization), the Borrower, the Parent and the Subsidiary Grantors;
 - (b) the Administrative Agent shall have received executed Lender Authorizations from the requisite Consenting Lenders;
 - (c) the Administrative Agent shall have been reimbursed for all fees and out-of-pocket charges and other expenses incurred in connection with this Agreement, including, without limitation, the reasonable fees and disbursements of counsel for the Administrative Agent;
 - (d) the Administrative Agent shall have received a corresponding amendment to the Canadian Credit Agreement, in form and substance substantially consistent with this Agreement (with such changes as are applicable only to the Canadian Credit Agreement), duly executed by the Canadian Administrative Agent, the Canadian Borrower, the Parent, each Canadian
-

Guarantor and the requisite Consenting Lenders (whether directly or through a lender authorization); and

(e) the Administrative Agent shall have received such other instruments, documents and certificates as the Administrative Agent shall reasonably request in connection with the execution of this Agreement.

5. Effect of the Agreement. Except as expressly provided herein, the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect. Except as expressly set forth herein, this Agreement shall not be deemed (a) to be a waiver of, or consent to, a modification or amendment of, any other term or condition of the Credit Agreement or any other Loan Document, (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Borrower or any other Person with respect to any waiver, amendment, modification or any other change to the Credit Agreement or the Loan Documents or any rights or remedies arising in favor of the Lenders or the Administrative Agent, or any of them, under or with respect to any such documents or (d) to be a waiver of, or consent to or a modification or amendment of, any other term or condition of any other agreement by and among the Borrower, on the one hand, and the Administrative Agent or any other Lender, on the other hand. References in the Credit Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein", and "hereof") and in any Loan Document to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

6. Representations and Warranties/No Default. By their execution hereof,

(a) the Parent, the Borrower and each Subsidiary Grantor (including, without limitation, BNSO (as defined below)) hereby certifies, represents and warrants to the Administrative Agent and the Lenders that after giving effect to the amendments set forth in Sections 2 and 3 above, each of the representations and warranties set forth in the Credit Agreement and the other Loan Documents is true and correct in all material respects as of the date hereof (except to the extent that (A) any such representation or warranty that is qualified by materiality or by reference to Material Adverse Effect, in which case such representation or warranty is true and correct in all respects as of the date hereof or (B) any such representation or warranty relates only to an earlier date, in which case such representation or warranty shall remain true and correct as of such earlier date) and that no Default or Event of Default has occurred or is continuing;

(b) the Borrower, the Parent and each of the Subsidiary Grantors (including, without limitation, BNSO (as defined below)) hereby certifies, represents and warrants to the Administrative Agent and the Lenders that:

(i) it has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other documents executed in connection herewith to which it is a party in accordance with their respective terms and the transactions contemplated hereby; and

(ii) this Agreement and each other document executed in connection herewith has been duly executed and delivered by the duly authorized officers of the Borrower, the Parent and each of the Subsidiary Grantors, and each such document constitutes the legal, valid and binding obligation of the Borrower, the Parent and each of the Subsidiary Grantors, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

7. Acknowledgement by Bowater Newsprint South Operations LLC. Bowater Mississippi LLC, a Mississippi limited liability company and a Subsidiary Guarantor, was merged with and into Bowater Newsprint South Operations LLC (formerly known as Bowater Newsprint South, Inc.), a Delaware limited liability company ("BNSO"), with BNSO as the surviving entity of such merger. By its execution hereof, BNSO hereby acknowledges and agrees that BNSO shall be bound by the Credit Agreement and the other Loan Documents as a "Subsidiary Guarantor" as if it were a Subsidiary Guarantor on the Closing Date. BNSO shall comply with, and be subject to, and have the benefit of, and hereby assumes and agrees to be bound by, all of the terms, conditions, covenants, agreements and obligations applicable to a Subsidiary Guarantor set forth in the Credit Agreement and the other Loan Documents. Each party hereto hereby agrees that each reference to a "Credit Party" or a "Subsidiary Guarantor" in the Credit Agreement and in the other Loan Documents shall be deemed to include BNSO.

8. Reaffirmations. Each Credit Party (a) agrees that the transactions contemplated by this Agreement shall not limit or diminish the obligations of such Person under, or release such Person from any obligations under, the Parent Guaranty Agreement, the Subsidiary Guaranty Agreement, the Collateral Agreement and each other Security Document to which it is a party, (b) confirms and reaffirms its obligations under the Parent Guaranty Agreement, the Subsidiary Guaranty Agreement, the Collateral Agreement and each other Security Document to which it is a party and (c) agrees that the Parent Guaranty Agreement, the Subsidiary Guaranty Agreement, the Collateral Agreement and each other Security Document to which it is a party remain in full force and effect and are hereby ratified and confirmed.

9. Acknowledgement by Parent. The Parent hereby acknowledges receipt of a copy of the Credit Agreement and agrees, for the benefit of the Administrative Agent and the Secured Parties, to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it (including, without limitation, Sections 7.1(f), 10.6(1) and 11.1(o)).

10. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

11. Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. Electronic Transmission. A facsimile, telecopy, pdf or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy, pdf or other reproduction hereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

BORROWER:

BOWATER INCORPORATED

By: /s/ William G. Harvey
Name: William G. Harvey
Title: SVP and CFO

PARENT:

ABITIBIBOWATER INC.

By: /s/ William G. Harvey
Name: William G. Harvey
Title: SVP and CFO

SUBSIDIARY GRANTORS:

BOWATER NEWSPRINT SOUTH OPERATIONS LLC

By: BOWATER NEWSPRINT SOUTH LLC
Its: Manager

By: /s/ William G. Harvey
Name: William G. Harvey
Title: Manager

BOWATER AMERICA INC.

By: /s/ William A. McCormick
Name: William A. McCormick
Title: Assistant Secretary

BOWATER NUWAY INC.

By: /s/ William A. McCormick
Name: William A. McCormick
Title: Asst. Secretary

[Fifth Amendment — Bowater]

[Signature Pages Continue]

BOWATER NUWAY MID-STATES INC.

By: /s/ William A. McCormick

Name: William A. McCormick

Title: Asst. Secretary

BOWATER ALABAMA LLC

By: /s/ William G. Harvey

Name: William G. Harvey

Title: Manager

[Fifth Amendment — Bowater]

[Signature Pages Continue]

WACHOVIA BANK, NATIONAL ASSOCIATION, as
Administrative Agent (on behalf of itself and the Consenting Lenders
who have executed a Lender Authorization) and as Issuing Lender,
Swingline Lender and a Lender

By: /s/ James Travagline
Name: James Travagline
Title: Vice President

[Fifth Amendment to US Credit Agreement — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a “Lender” (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a “Lender” under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution’s rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

Wachovia Bank, National Association

By: /s/ James Travagline
Name: James Travagline
Title: Vice President

[Lender Authorization — Fifth Amendment — Bowater]

Lender Authorization agrees or reaffirms that it shall be a party to the Agreements and the other Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

WELLS FARGO FOOTHILL, LLC

By: /s/ Rohan Damani

Name: Rohan Damani

Title: Vice President

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

UBS Loan Finance LLC

By: /s/ Irja R. Otsa

Name: Irja R. Otsa

Title: Associate Director

By: /s/ David B. Julie

Name: David B. Julie

Title: Associate Director

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

JPMorgan Chase Bank, N.A.

By: /s/ Peter Predun
Name: Peter Predun
Title: Executive Director

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

Carolina First Bank

By: /s/ Kevin M. Short

Name: Kevin M. Short

Title: Executive Vice President

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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GE BUSINESS FINANCIAL SERVICES INC.
(Formerly known as Merrill Lynch Business Financial Services Inc.)

By: /s/ Rebecca A. Ford
Name: Rebecca A. Ford
Title: It's Duly Authorized Signatory

Lender Authorization agrees or reaffirms that it shall be a party to the Agreements and the other Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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ROB T. JOKHAI
Vice President
388 Greenwint Street
New York, NY 10013
212-816-8272

Citicorp USA, Inc.

By: /s/ Rob Jokhai
Name: Rob Jokhai
Title: Vice President

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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Credit Industriel et Commercial

[Insert name of applicable financial institution]

By: /s/ Anthony Rock
Name: Anthony. Rock
Title: Managing Director

By: /s/ Marcus Edward
Name: Marcus Edward
Title: Managing Director

[Fifth Amendment — Bowater]

Lender Authorization agrees or reaffirms that it shall be a party to the Agreements and the other Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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The Bank of New York

By: [ILLEGIBLE]

Name:

[ILLEGIBLE]

Title: Vice President

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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BANK OF MONTREAL

By: /s/ Bruno Jarry
Name: Bruno Jarry
Title: Director

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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Export Development Canada

By: /s/ Matthew Devine

Name: Matthew Devine

Title: Asset Manager

By: /s/ Howard Clysdale

Name: Howard Clysdale

Title: Loan Portfolio Manager

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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Bank of America, N. A.

[Insert name of applicable financial institution]

By: /s/ Covinne Barrett
Name: Covinne Barrett
Title: Senior Vice President

[Fifth Amendment — Bowater]



Bowater Incorporated
Bowater Canadian Forest Products Inc.
Fifth Amendment
April 30, 2008

Wachovia Bank, National Association
NC0680
1525 West W.T. Harris Blvd.
Charlotte, North Carolina 28262
Attention: Syndication Agency Services
The Bank of Nova Scotia
40 King Street West
Scotia Plaza, 62nd Floor
Toronto, Ontario M5W 2X6
Attention: Corporate Banking Loan Syndication

Re: (a) the Fifth Amendment dated as of April 30, 2008 (the "U.S. Agreement") to that certain Credit Agreement dated as of May 31, 2006 (as amended, the "U.S. Credit Agreement") among Bowater Incorporated (the "U.S. Borrower"), the lenders party thereto (the "U.S. Lenders"), and Wachovia Bank, National Association, as administrative agent (the "U.S. Administrative Agent") for the U.S. Lenders and (b) the Fourth Amendment dated as of April 30, 2008 (the "Canadian Agreement" and, together with the U.S. Agreement, the "Agreements") to that certain Credit Agreement dated as of May 31, 2006 (as amended, the "Canadian Credit Agreement") among Bowater Canadian Forest Products Inc. (the "Canadian Borrower"), the U.S. Borrower, the lenders party thereto (the "Canadian Lenders"), and The Bank of Nova Scotia, as administrative agent (the "Canadian Administrative Agent") for the Canadian Lenders.

This Lender Authorization acknowledges our receipt and review of the execution copy of the Agreements, each in the form posted on SyndTrak Online or otherwise distributed to us by the U.S. Administrative Agent or the Canadian Administrative Agent. By executing this Lender Authorization, we hereby approve the Agreements and authorize the U.S. Administrative Agent or the Canadian Administrative Agent (as applicable) to execute and deliver the Agreements on our behalf.

Each financial institution purporting to be a U.S. Lender and executing this Lender Authorization agrees or reaffirms that it shall be a party to the Agreements and the other Loan Documents (as defined in the U.S. Credit Agreement) to which U.S. Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the U.S. Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. Each financial institution purporting to be a Canadian Lender and executing this Lender Authorization agrees or reaffirms that it shall be a party to the Agreements and the other

[ILLEGIBLE] RZBLLCNY • A **WHOLLY OWNED SUBSIDIARY OF RAIFFEISEN ZENTRALBANK ÖSTERREICH AG (RZB-AUSTRIA)**

• Head Office: A-1030 Vienna, Am Stadtpark 9, Postal Address: A-1011 Vienna, P.O. Box 50 • Member of UNICO Banking Group

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" Under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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RZB Finance LLC

By: /s/ John A. Valiska
Name: John A. Valiska
Title: First Vice President

By: /s/ Shirley Ritch
Name: Shirley Ritch
Title: Assistant Vice President

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

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GOLDMAN SACHS CREDIT PARTNERS, L.P.

[Insert name of applicable financial institution]

By: /s/ Andrew Caditz

Name: Andrew Caditz

Title: Authorized Signatory

[Fifth Amendment — Bowater]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

AgFirst Farm Credit Bank

By: /s/ Matt Jeffords
Name: Matt Jeffords
Title: Assistant Vice President

[Fifth Amendment — Bowater]

FIFTH AMENDMENT

This Fifth Amendment (the "Agreement") to the Credit Agreement referred to below is dated as of April 30, 2008, by and among BOWATER CANADIAN FOREST PRODUCTS INC., a company organized under the laws of Canada, in its capacity as Borrower under the Credit Agreement referred to below (the "Borrower"), BOWATER INCORPORATED, a corporation organized under the laws of Delaware, in its capacity as a Guarantor under the Credit Agreement referred to below (the "Original U.S. Borrower"), certain Subsidiaries and Affiliates of the Original U.S. Borrower party hereto (the "Grantors"), AbitibiBowater Inc., a corporation organized under the laws of Delaware (the "Parent"), the Lenders and the U.S. Lenders party hereto (collectively, the "Consenting Lenders") pursuant to an authorization (in the form attached hereto as Exhibit A, each a "Lender Authorization") and THE BANK OF NOVA SCOTIA, as administrative agent (the "Administrative Agent") for the Lenders party to the Credit Agreement referred to below.

STATEMENT OF PURPOSE:

The Borrower, the Original U.S. Borrower, the Lenders, certain other financial institutions and the Administrative Agent are parties to the Credit Agreement dated as of May 31, 2006 (as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, as amended hereby and as further amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

The Borrower has requested that the Administrative Agent, the Lenders and the U.S. Lenders agree to amend the Credit Agreement as more specifically set forth herein. Subject to the terms and conditions set forth herein, the Administrative Agent and each of the Consenting Lenders have agreed to grant such requests of the Borrower.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Capitalized Terms. Except as otherwise provided herein, all capitalized undefined terms used in this Agreement (including, without limitation, in the introductory paragraph and the statement of purpose hereto) shall have the meanings assigned thereto in the Credit Agreement (as amended by this Agreement).

2. Credit Agreement Amendments. The Credit Agreement is hereby amended by:

(a) Section 1.1 of the Credit Agreement is hereby amended by:

(i) amending and restating the following definitions as follows:

"New U.S. Borrower Mortgages" means those certain mortgages, deeds of trust, security agreements, subordination agreements or other real property security documents encumbering the New U.S. Borrower Fixed Assets, in each case in form and substance

reasonably satisfactory to the Administrative Agent and the U.S. Administrative Agent and executed by the applicable New U.S. Borrower in favor of the U.S. Administrative Agent, for the ratable benefit of the Secured Parties and the U.S. Secured Parties, as amended, restated, supplemented or otherwise modified from time to time. Unless specifically excluded, the Supplemental New U.S. Borrower Mortgage shall be a New U.S. Borrower Mortgage.

“New U.S. Borrowers” means (a) Bowater Alabama LLC (formerly known as Bowater Alabama, Inc.), an Alabama limited liability company (the “Coosa Pines U.S. Borrower”), (b) Bowater Newsprint South LLC, a Delaware limited liability company (“BNS Holdings”) and (c) Bowater Newsprint South Operations LLC (formerly known as Bowater Newsprint South, Inc.), a Delaware corporation and as successor by merger to Bowater Mississippi, LLC (the “Grenada U.S. Borrower”).

(ii) adding the following new definition in proper alphabetical order:

“Supplemental New U.S. Borrower Mortgage” means that certain mortgage, deed of trust, security agreement, subordination agreement or other real property security document encumbering a fee interest in the Coosa Pines Mill and a leasehold interest in the Coosa Pines Real Property or otherwise subordinating the interests of the Industrial Development Board of the City of Childersburg, a public corporation duly organized and existing under the laws of the State of Alabama (such Person, the “Supplemental New U.S. Borrower Mortgagor”), in the Coosa Pines Mill or Coosa Pines Real Property to the interests of the Administrative Agent and the U.S. Administrative Agent therein, in each case in form and substance reasonably satisfactory to the Administrative Agent and the U.S. Administrative Agent and executed by the Supplemental New U.S. Borrower Mortgagor in favor of the U.S. Administrative Agent, for the ratable benefit of the Secured Parties and the U.S. Secured Parties, as amended, restated, supplemented or otherwise modified from time to time.

“Supplemental New U.S. Borrower Mortgagor” has the meaning set forth in the definition of Supplemental New U.S. Borrower Mortgage.

(b) Amendment to Section 5.3. The following new subsection (d) shall be added to Section 5.3:

“(d) Delivery of Documentation Pursuant to Section 8.10(e)(i). If the requested borrowing, conversion or continuation of any Loan or the requested issuance or extension of any Letter of Credit would cause the aggregate principal amount of all Obligations outstanding as of the date of such borrowing, conversion, continuation, issuance or extension (after giving effect to the requested borrowing, conversion, continuation, issuance or extension) to exceed C\$91,500,000, the Administrative Agent shall have received each item required to be delivered thereto pursuant to Section 8.10(e)(i), in all cases, in accordance with the terms and provisions thereof (or as such terms and conditions may be amended, modified or waived in accordance with the terms of Section 14.2).”

(c) Amendments to Section 8.10. Clauses (i) and (ii) of subsection (e) of Section 8.10 of the Credit Agreement are hereby amended and restated as follows:

“(i) (A) Concurrently with the delivery of the documentation required to be delivered pursuant to Section 8.10(e)(ii)(A) of the U.S. Credit Agreement but in no event later than April 15, 2008, the U.S. Administrative Agent shall have received:

(1) evidence satisfactory to the U.S. Administrative Agent that the U.S. Borrower shall be diligently pursuing in good faith the rendering of the solvency opinions referred to in Sections 8.10(e)(i)(B) and 8.10(e)(i)(C) by a third party consultant reasonably acceptable to the U.S. Administrative Agent (including having delivered to such third party consultant all financial and other information necessary to provide the basis for the delivery of such solvency opinion); and

(2) information, in form and substance reasonably satisfactory to the U.S. Administrative Agent, confirming (x) that the New U.S. Borrowers own, free and clear of any Liens, the New U.S. Borrower Fixed Assets and (y) the ability of the New U.S. Borrowers to grant to the U.S. Administrative Agent, on behalf of the Secured Parties and the U.S. Secured Parties, a perfected first priority security interest in the New U.S. Borrower Fixed Assets without the consent or approval of any third Person; and

(B) Concurrently with the delivery of the documentation required to be delivered pursuant to Section 8.10(e)(ii)(B) of the U.S. Credit Agreement but in no event later than May 15, 2008, the Administrative Agent shall have received:

(1) a copy of a solvency opinion from Houlihan Lokey Howard & Zukin Financial Advisors, Inc. or another opinion provider reasonably acceptable to the Administrative Agent as to the solvency of the Original U.S. Borrower after giving effect to the New U.S. Borrower Transactions and the transactions contemplated by the Fourth Amendment, this Agreement and the joinder agreement referred to in clause (2) below and such other matters as the Lenders shall request (which such opinion shall expressly permit reliance (or be accompanied by a letter, in form and substance satisfactory to the Administrative Agent, executed by the opinion provider that (expressly permits reliance) by the Administrative Agent, the Lenders and any successors and assigns of the Administrative Agent or any Lender);

(2) a duly executed joinder agreement, in form and substance reasonably satisfactory to the Administrative Agent, joining each New U.S. Borrower to Article XI of this Agreement (as a U.S. Borrower), the Intercompany Subordination Agreement and any other applicable Loan Documents;

(3) such updated Schedules to the Loan Documents as requested by the Administrative Agent or the U.S. Administrative Agent with regard to the New U.S. Borrowers (including, without limitation, an updated Schedule 6.1(b));

(4) a certificate of a Responsible Officer of each New U.S. Borrower certifying as to the incumbency and genuineness of the signature of each officer of each New U.S. Borrower executing the Loan Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (w) the articles or certificate of incorporation or formation of each New U.S. Borrower and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation or formation, (x) the bylaws or other governing document of each New U.S. Borrower as in effect on the date hereof, (y) resolutions duly adopted by the board of directors or other governing body of each New U.S. Borrower authorizing the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (z) certificates as of a recent date of the good standing of each New U.S. Borrower under the laws of its jurisdiction of incorporation or formation;

(5) the results of a Lien search (including a search as to judgments, pending litigation and tax matters) made against each New U.S. Borrower under the Uniform Commercial Code (or applicable judicial docket) as in effect in each jurisdiction in which filings or recordations under the Uniform Commercial Code should be made to evidence or perfect security interests in all assets of each New U.S. Borrower, indicating among other things that the assets of each New U.S. Borrower are free and clear of any Liens (except Permitted Liens);

(6) evidence in form and substance reasonably satisfactory to the Administrative Agent confirming the interest of the U.S. Administrative Agent (as loss payee and additional insured and, with respect to the real property subject to the New U.S. Borrower Mortgages (other than the Supplemental New U.S. Borrower Mortgage), as mortgagee) with respect to such insurance coverage;

(7) a duly executed counterpart of each New U.S. Borrower Mortgage (other than the Supplemental New U.S. Borrower Mortgage);

(8) all filings and recordations that are necessary to perfect the security interests of the U.S. Administrative Agent, on behalf of itself, the Secured Parties and the U.S. Secured Parties, in the Collateral granted by each New U.S. Borrower under each New U.S. Borrower Mortgage (other than the Supplemental New U.S. Borrower Mortgage) and evidence satisfactory to the Administrative Agent that upon such filings and recordations such security interests constitute valid and perfected first priority Liens therein;

(9) favorable opinions of counsel of each New U.S. Borrower addressed to the Administrative Agent and the Lenders with respect to each New U.S. Borrower, this Agreement, each of the New U.S. Borrower Mortgages (other than the Supplemental New U.S. Borrower Mortgage) and the other Loan Documents to which the New U.S. Borrowers are a party and such other matters as the Lenders shall reasonably request (which such opinions shall expressly permit reliance by successors and assigns of the Administrative Agent or any Lender); and

(10) such other instruments, documents and certificates as the Administrative Agent shall reasonably request.

(C) Concurrently with the delivery of the documentation required to be delivered pursuant to Section 8.10(e)(ii)(C) of the U.S. Credit Agreement but in no event later than May 22, 2008, the Administrative Agent shall have received a copy of a solvency opinion from Houlihan Lokey Howard & Zukin Financial Advisors, Inc. or another opinion provider reasonably acceptable to the Administrative Agent as to the solvency of each of the New U.S. Borrowers (other than BNS Holdings if BNS Holdings is a holding company that holds only the Capital Stock of the Coosa Pines U.S. Borrower and the Grenada U.S. Borrower and has no creditors other than the U.S. Lenders), in each case after giving effect to the New U.S. Borrower Transactions and the transactions contemplated by the Fourth Amendment, this Agreement and the joinder agreement referred to in Section 8.10(e)(i)(B)(2) above and such other matters as the Lenders shall request (which such opinion shall expressly permit reliance (or be accompanied by a letter, in form and substance satisfactory to the Administrative Agent, executed by the opinion provider that expressly permits reliance) by the Administrative Agent, the Lenders and any successors and assigns of the Administrative Agent or any Lender).

(D) Concurrently with the delivery of the documentation required to be delivered pursuant to Section 8.10(e)(ii)(D) of the U.S. Credit Agreement but in no event later than May 30, 2008, the Administrative Agent shall have received:

(1) to the extent reasonably requested by the Administrative Agent, evidence in form and substance reasonably satisfactory to the Administrative Agent confirming the interest of the U.S. Administrative Agent as loss payee, additional insured and mortgagee with respect to the Coosa Pines Mill and Coosa Pines Real Property subject to the Supplemental New U.S. Borrower Mortgage;

(2) a duly executed counterpart of the Supplemental New U.S. Borrower Mortgage;

(3) all filings and recordations that are necessary to perfect the security interests of the U.S. Administrative Agent, on behalf of itself, the other Secured Parties and the U.S. Secured Parties, in the Collateral granted by the Supplemental New U.S. Borrower Mortgage, and evidence

satisfactory to the Administrative Agent that upon such filings and recordations such security interests constitute valid and perfected first priority Liens therein (or, to the extent acceptable to the Administrative Agent, evidence satisfactory to the Administrative Agent that upon delivery of the Supplemental New U.S. Borrower Mortgage, all right, title and interest of the Supplemental New U.S. Borrower Mortgagor shall be subordinated in all respects to the security interests of the U.S. Administrative Agent, on behalf of itself, the other Secured Parties and the U.S. Secured Parties, with respect to the interests subject to the Supplemental New U.S. Borrower Mortgage);

(4) favorable opinions of counsel of the Supplemental New U.S. Borrower Mortgagor addressed to the Administrative Agent and the Lenders with respect to the Supplemental New U.S. Borrower Mortgage and such other matters as the Lenders shall reasonably request (which such opinions shall expressly permit reliance by successors and assigns of the Administrative Agent or any Lender); and

(5) such other instruments, documents and certificates as the Administrative Agent shall reasonably request.

(ii) Within forty-five (45) days of the date upon which each New U.S. Borrower is joined as a Credit Party pursuant to Section 8.10(e)(i)(B):

(A) a final title policy, insuring the first priority Liens of the Secured Parties and the U.S. Secured Parties and showing no Liens prior to the Liens of the Secured Parties and the U.S. Secured Parties (other than for ad valorem taxes not yet due and payable) and containing only such other customary title exceptions as are reasonably acceptable to the U.S. Administrative Agent, with title insurance companies acceptable to the U.S. Administrative Agent, on each of the Coosa Pines Mill Real Property and Grenada Mill Real Property (it being agreed that the U.S. Borrower and its Subsidiaries shall provide or obtain any customary affidavits and indemnities as may be required or necessary to obtain title insurance satisfactory to the U.S. Administrative Agent);

(B) copies of all recorded documents creating exceptions to the title policies referred to in Section 8.10(e)(ii)(A);

(C) a certification form of a certification from the National Research Center, or any successor agency thereto, regarding each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property;

(D) copies of as-built surveys of a recent date of each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property, in each case, certified as of a recent date by a registered engineer or land surveyor. Each such survey shall be accompanied by an affidavit (a "Survey Affidavit") of an authorized signatory of the owner of such property stating that there have been no improvements or encroachments to the property since the date of the respective

survey such that the existing survey is no longer accurate. Each such survey shall show the area of such property, all boundaries of the land with courses and distances indicated, including chord bearings and arc and chord distances for all curves, and shall show dimensions and locations of all easements, private drives, roadways, and other facts materially affecting such property, and shall show such other details as the U.S.

Administrative Agent may reasonably request, including, without limitation, any encroachment (and the extent thereof in feet and inches) onto the property or by any of the improvements on the property upon adjoining land or upon any easement burdening the property; any improvements, to the extent constructed, and the relation of the improvements by distances to the boundaries of the property, to any easements burdening the property, and to the established building lines and the street lines; and if improvements are existing, (x) a statement of the number of each type of parking space required by Applicable Laws, ordinances, orders, rules, regulations, restrictive covenants and easements affecting the improvement, and the number of each such type of parking space provided, and (y) the locations of all utilities serving the improvement;

(E) a Phase I environmental assessment and such other environmental report reasonably requested by the U.S. Administrative Agent regarding each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property, in each case prepared by an environmental engineering firm acceptable to the U.S. Administrative Agent showing no environmental conditions in violation of Environmental Laws or liabilities under Environmental Laws, either of which could reasonably be expected to have a Material Adverse Effect; and

(F) such other certificates, documents and information (including, without limitation, engineering and structural reports, permanent certificates of occupancy and evidence of zoning compliance, in each case, with respect to each of the Coosa Pines Mill Real Property and the Grenada Mill Real Property) as may be reasonably requested by the U.S. Administrative Agent, all in form, consent and scope reasonably satisfactory to the U.S. Administrative Agent.”

(c) Amendment to Section 12.1 (d). Section 12.1 (d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(d) The U.S. Borrower, the Borrower or any other Credit Party shall default in the performance or observance of any covenant or agreement contained in Sections 5.4,

3. Conditions to Effectiveness. Upon the satisfaction of each of the following conditions, this Agreement shall be deemed to be effective as of the date hereof:

(a) the U.S. Administrative Agent shall have received counterparts of this Agreement executed by the Administrative Agent (on behalf of itself and each of the Consenting Lenders by virtue of each Consenting Lender’s execution of a Lender Authorization), the Borrower, the Original U.S. Borrower, the Parent and the Grantors;

(b) the U.S. Administrative Agent shall have received executed Lender Authorizations from the requisite Consenting Lenders;

(c) the Administrative Agent shall have been reimbursed for all fees and out-of-pocket charges and other expenses incurred in connection with this Agreement, including, without limitation, the reasonable fees and disbursements of counsel for the Administrative Agent;

(d) the Administrative Agent shall have received a corresponding amendment to the U.S. Credit Agreement, in form and substance substantially consistent with this Agreement (with such changes as are applicable only to the U.S. Credit Agreement), duly executed by the U.S. Administrative Agent, the Original U.S. Borrower, the Parent, each U.S. Subsidiary Guarantor and the requisite Consenting Lenders (whether directly or through a lender authorization); and

(e) the Administrative Agent shall have received such other instruments, documents and certificates as the Administrative Agent shall reasonably request in connection with the execution of this Agreement.

4. Effect of the Agreement. Except as expressly provided herein, the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect. Except as expressly set forth herein, this Agreement shall not be deemed (a) to be a waiver of, or consent to, a modification or amendment of, any other term or condition of the Credit Agreement or any other Loan Document, (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time, (c) to be a commitment or any other undertaking or expression of any willingness to engage in any further discussion with the Borrower, the U.S. Borrower or any other Person with respect to any waiver, amendment, modification or any other change to the Credit Agreement or the Loan Documents or any rights or remedies arising in favor of the Lenders or the Administrative Agent, or any of them, under or with respect to any such documents or (d) to be a waiver of, or consent to or a modification or amendment of, any other term or condition of any other agreement by and among the Borrower and the U.S. Borrower, on the one hand, and the Administrative Agent or any other Lender, on the other hand. References in the Credit Agreement to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein", and "hereof") and in any Loan Document to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby.

5. Representations and Warranties/No Default. By their execution hereof,

(a) the Borrower, the Original U.S. Borrower and each Grantor hereby certifies, represents and warrants to the Administrative Agent and the Lenders that after giving effect to the amendments set forth in Section 2 above, each of the representations and warranties set forth in the Credit Agreement and the other Loan Documents is true and correct in all material respects as of the date hereof (except to the extent that (i) any such representation or warranty that is qualified by materiality or by reference to Material Adverse Effect, in which case such representation or warranty is true and correct in all respects as of the date hereof or (ii) any such representation or warranty relates only to an earlier date, in which case such representation or

warranty shall remain true and correct as of such earlier date) and that no Default or Event of Default has occurred or is continuing;

(b) the Borrower, the Original U.S. Borrower, the Parent and each of the Grantors hereby certifies, represents and warrants to the Administrative Agent and the Lenders that:

(i) it has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other documents executed in connection herewith to which it is a party in accordance with their respective terms and the transactions contemplated hereby; and

(ii) this Agreement and each other document executed in connection herewith has been duly executed and delivered by the duly authorized officers of the Borrower, the Original U.S. Borrower, the Parent and each of the Grantors, and each such document constitutes the legal, valid and binding obligation of the Borrower, the Original U.S. Borrower, the Parent and each of the Grantors, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

6. Reaffirmations. Each Credit Party (a) agrees that the transactions contemplated by this Agreement shall not limit or diminish the obligations of such Person under, or release such Person from any obligations under the Credit Agreement, the applicable Guaranty Agreement, the Collateral Agreement and each other Security Document to which it is a party, (b) confirms and reaffirms its obligations under the Credit Agreement, the applicable Guaranty Agreement, the Collateral Agreement and each other Security Document to which it is a party and (c) agrees that the Credit Agreement, the applicable Guaranty Agreement, the Collateral Agreement and each other Security Document to which it is a party remain in full force and effect and are hereby ratified and confirmed.

7. Acknowledgement by Parent. The Parent hereby acknowledges receipt of a copy of the Credit Agreement and agrees, for the benefit of the Administrative Agent and the Secured Parties, to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it (including, without limitation, Sections 7.1(f), 10.6(i) and 12.1(o)).

8. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

9. Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

10. Electronic Transmission. A facsimile, telecopy, pdf or other reproduction of this Agreement may be executed by one or more parties hereto, and an executed copy of this Agreement may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can

be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Agreement as well as any facsimile, telecopy, pdf or other reproduction hereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

BORROWER:

BOWATER CANADIAN FOREST PRODUCTS INC.

By: /s/ William G. harvey
Name: William G. harvey
Title: SVP and CFO

PARENT:

ABITIBIBOWATER INC.

By: /s/ William G. harvey
Name: William G. harvey
Title: SVP and CFO

PARENT GRANTORS:

BOWATER INCORPORATED

By: /s/ William G. harvey
Name: William G. harvey
Title: SVP and CFO

BOWATER CANADIAN HOLDINGS
INCORPORATED

By: /s/ William G. harvey
Name: William G. harvey
Title: Vice President

[Signature Pages Continue]

[Fifth Amendment—Bowater Canada]

SUBSIDIARY GRANTORS:

BOWATER CANADA FINANCE LIMITED
PARTNERSHIP

By: BOWATER CANADA TREASURY
CORPORATION, its general partner

By: /s/ William G. harvey

Name: William G. harvey
Title: President

BOWATER SHELBURNE CORPORATION

By: /s/ Duane A. Owens

Name: Duane A. Owens
Title: Vice President and Treasurer

BOWATER LAHAVE CORPORATION

By: /s/ William A. McCormick

Name: William A. McCormick
Title: Asst. Secretary

[Signature Pages Continue]

[Fifth Amendment—Bowater Canada]

THE BANK OF NOVA SCOTIA, as Administrative Agent
(on behalf of itself and the Consenting Lenders who have
executed a Lender Authorization) and as Issuing Lender and
Lender

By: /s/ Robert Boomhour

Name: Robert Boomhour

Title: Director

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

The Bank of Nova Scotia

By: /s/ David Angel

Name: David Angel

Title: Director

By: /s/ Daniel Zolov

Name: Daniel Zolov

Title: Associate

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes,

Toronto Dominion Batik,

By: /s/ Deborah Gravinese

Name: Deborah Gravinese

Title: Managing Director

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

BANK OF MONTREAL

By: /s/ Bruno Jarry
Name: Bruno Jarry
Title: Director

[Fifth Amendment—Bowater Canada]

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing, each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

Export Development Canada

By: /s/ Matthew Devine

Name: Matthew Devine

Title: Asset Manager

By: /s/ Howard Clysdale

Name: Howard Clysdale

Title: Loan Portfolio Manager

Loan Documents (as defined in the Canadian Credit Agreement) to which Canadian Lenders are parties and shall have the rights and obligations of a "Lender" (as defined in the Canadian Credit Agreement), and agrees to be bound by the terms and provisions applicable to a "Lender" under each such agreement. In furtherance of the foregoing each financial institution executing this Lender Authorization agrees to execute any additional documents reasonably requested by the U.S. Administrative Agent or the Canadian Administrative Agent, as applicable, to evidence such financial institution's rights and obligations under the U.S. Credit Agreement or the Canadian Credit Agreement, as applicable.

A facsimile, telecopy, pdf or other reproduction of this Lender Authorization may be executed by one or more parties hereto, and an executed copy of this Lender Authorization may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes.

Bank of America, N.A. (Canada branch)

By: /s/ Modina Sales de Andrade
Name: Modina Sales de Andrade
Title: Vice President

ABITIBIBOWATER INC.

Exhibit 31.1

Certification

I, John W. Weaver, Executive Chairman and Chairman of the Board of Directors of ABITIBIBOWATER INC., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2008 of ABITIBIBOWATER INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ John W. Weaver

John W. Weaver
Executive Chairman and Chairman of the Board of Directors

ABITIBIBOWATER INC.

Exhibit 31.2

Certification

I, William G. Harvey, Senior Vice President and Chief Financial Officer of ABITIBIBOWATER INC., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2008 of ABITIBIBOWATER INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2008

/s/ William G. Harvey

William G. Harvey
Senior Vice President and Chief Financial Officer

ABITIBIBOWATER INC.

EXHIBIT 32.1

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of ABITIBIBOWATER INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2008

/s/ John W. Weaver

Name: John W. Weaver

Title: Executive Chairman and Chairman of the Board of Directors

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

ABITIBIBOWATER INC.

EXHIBIT 32.2

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of ABITIBIBOWATER INC. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2008

/s/ William G. Harvey

Name: William G. Harvey

Title: Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.