Groia & Company

Joseph Groia
Direct Line: (416) 203-4472
Email: jgroia@groiaco.com
Client No.:1884

March 26, 2012

VIA EMAIL

Jane Waechter
Naizam Kanji
Ontario Securities Commission
20 Queen Street West
Toronto, ON M5H 3S8

Dear Ms. Waechter and Mr. Kanji:

Re: Abitibi Bowater Inc., doing business as Resolute Forest Products ("Abitibi") – Take-Over Bid Circular dated December 15, 2011, as amended and supplemented (the "Abitibi Circular")

As Staff is aware, we act for Mercer International Inc. ("Mercer"). Abitibi, whose common shares are listed on the TSX, commenced a take-over bid for all of the issued common shares (the "Fibrek Shares") of Fibrek Inc. ("Fibrek") on December 15, 2011 (the "Abitibi Bid").

We are writing to you to express Mercer's concerns about the conduct of Abitibi, Steelhead Partners, LLC ("Steelhead") and Fairfax Financial Holdings Limited ("Fairfax") in Ontario that we firmly believe is contrary to the public interest in Ontario, in breach of Ontario securities law and that has caused damage to the integrity of the capital markets in Ontario.

The purpose of this letter is two-fold. First, we ask Staff to consider this letter as a request for Staff to take steps to ask for a hearing of the Ontario Securities Commission (the 'Commission" or the "OSC") pursuant to s. 127 of the *Securities Act* (the "*Act*") to issue an order that all trading, acquiring and if not included in those terms, tendering to the Abitibi Bid, of Fibrek Shares by Steelhead and any other joint actors cease and cease trading the Abitibi Bid. We are also providing this letter as our client's application pursuant to s. 104 of the *Act* and a request to the Commission pursuant to s. 3.5(2) and Rule 13 of the OSC Rules of Procedure for a joint hearing with the Autorité des Marchés Financiers (the "AMF"). We have copied Staff of the AMF on our letter.

Our intention is to provide a copy of our letter to the Secretary's office for the purposes of s. 3.5(2) and Rule 13, once Staff of the OSC and Staff of the AMF have had a reasonable opportunity to review it. We will ask the OSC for a determination as to whether it will hold a joint hearing. In our view, while the AMF is the principal regulator for Fibrek and has dealt with some proceedings to date, the conduct as described herein in Ontario, the damage to the integrity of the capital markets in Ontario, the trading of Fibrek shares on the TSX and the decision of the TSX that the issuance of special warrants to Mercer was in the public interest warrant that at least a joint hearing be held.

For the reasons that follow, we submit that Abitibi's Bid should be cease traded permanently, or alternatively cease traded until such time as the shareholders of Fibrek have been provided with proper and complete disclosure and conduct in breach of Ontario securities law and contrary to the public interest has been stopped and appropriately sanctioned.

1. Breaches of Section 97.1 of the *Act*

At page 66 of the Abitibi Circular, Abitibi included the following disclosure in relation to "Interests in Securities of Fibrek":

> *Based on information provided to us, as of December 13, 2011, <u>Steelhead Navigator Master, L.P., an insider of Resolute, beneficially owned 4,336,500 Fibrek Shares, representing approximately 3.3% of the issued and outstanding Fibrek Shares</u>. Steelhead Master Fund, L.P. has also informed us that, although it is under no obligation and it has no commitment with us with respect to the deposit or sale of its Fibrek Shares under the Offer, <u>it intends to deposit all of the Fibrek Shares held by it in the Offer.</u>*
>
> (Emphasis Added)

Steelhead is a registered investment manager in the US and it manages and controls the Steelhead funds referred to in the above disclosure. Steelhead is Abitibi's second largest shareholder. On February 9 and 14, 2012, Steelhead filed with the United States Securities and Exchange Commission (the "SEC") an amended Schedule 13G and a Form 13F, respectively, disclosing its interest in Abitibi and its funds' holdings, copies of which are attached as Exhibits "A" and "B" hereto. Steelhead disclosed that it held sole voting and dispositive power over 12,711,663 Abitibi shares, representing approximately 13.1% of the outstanding Abitibi shares. Such amount included 12,514,684 Abitibi shares held by Steelhead Navigator Master, L.P. These documents indicate that Steelhead's investment in Abitibi makes up over 15% of its total disclosed investments.

Abitibi's Circular also indicates that Steelhead was acquiring Fibrek Shares since at least July 2011. The bulk of the 4,336,500 Fibrek Shares it owned as of December 13, 2011 were acquired on and after November 30, 2011. Between December 7 and 12, 2011, Abitibi's Circular indicates that Steelhead purchased 1,134,000 Fibrek Shares at $1.00 and 500,000 Fibrek Shares at $1.01. As Staff is aware, Abitibi announced its intention to make a bid for Fibrek at $1.00 on November 28, 2011.

In comparing the disclosed purchases of Fibrek Shares by Steelhead contained in the Abitibi Circular to the volumes traded on those days on the TSX, it is evident that Steelhead's purchases represented most of the volume on a number of days. A copy of the daily trading data for Fibrek Shares on the TSX for the period between March 2011 and March 2012 is attached as Exhibit

"C". The following lists the percentage of the volume represented by the disclosed Steelhead trading:

DATE	Steelhead Purchases	Percentage of TSX Volume
November 30	1,142,000	85.5%
December 1	763,500	71.7%
December 5	253,500	62.4%
December 6	319,000	100%[1]
December 7	434,000	81.7%
December 8	332,400	84.2%
December 9	367,600	55%
December 12	500,000	82.4%

In a letter dated February 16, 2012 (the "Steelhead Letter"), a copy of which is attached hereto as Exhibit "D", Steelhead wrote to Abitibi stating that it had reviewed the Mercer Offer for $1.30, would "continue to fully support" the Abitibi Bid that offered $1.00 and:

> *In addition, we also confirm to you that Steelhead has at this time deposited into the [Abitibi Bid] all common shares of Fibrek that Steelhead controls and that are owned by accounts that Steelhead manages (a total of 6,479,000 common shares).*

We are not aware of any explanation that would explain why a sophisticated party such as Steelhead would acquire shares of Fibrek at and above Abitibi's bid and would reject a higher bid, unless they are receiving consideration of greater value than offered to other shareholders of Fibrek through the Abitibi Bid.

As is described in more detail below, it appears that Steelhead and Fairfax are and have been acting jointly or in concert with Abitibi and/or with each other. It appears that the only logical and reasonable inference that can be drawn from this information that has been disclosed is that Steelhead has entered into a collateral agreement, commitment or undertaking that has the effect, directly or indirectly, of providing Steelhead with consideration of greater value than the Abitibi Bid of $1.00. Such consideration is precluded by s. 97.1 of the *Act*.

As further support of potential breaches of s. 97.1 of the *Act*, the following has been disclosed concerning Fairfax, which is a financial services holding company listed on the TSX. Fairfax's investments are managed by an Ontario registrant, run by Fairfax's Chairman.

On page 59 of the Abitibi Circular, it was disclosed that as of at least September 27, 2011, Fairfax indicated to Abitibi that Fairfax was not interested in selling its shares of Fibrek. At that time, Fairfax owned 33,628,301 shares of Fibrek. Abitibi has also disclosed that Fairfax owned 17,503,704 shares of Abitibi, which represented approximately 18% of the issued and

[1] The volume traded on the TSX was 295,537 which is less than the total acquired by Steelhead on that day.

outstanding shares of Abitibi. Fairfax is Abitibi's largest shareholder. Paul Rivett, a vice president and chief legal officer of Fairfax, is also a director of Abitibi.

It was disclosed during the hearing that took place before the Bureau de décisions et de révisions (the "Bureau") in February 2012 that representatives of Mercer met with representatives of Fairfax in November 2011 to discuss the potential sale of Fairfax's shares in Fibrek to Mercer. During that discussion, Mercer mentioned a value of $1.20 and Fairfax indicated that it would accept a $1.50 purchase price. The $1.50 offer was not accepted by Mercer.

Following this discussion and Fairfax's $1.50 offer, Fairfax entered into a hard lockup agreement with Abitibi (the "Hard Lock-Up Agreement") in support of Abitibi's Bid at $1.00. It is not known what discussions representatives of Fairfax had with representatives of Abitibi about Fairfax's above mentioned discussion with Mercer. It appears that the only logical and reasonable inference that can be drawn from the information that has been disclosed is that Fairfax has entered into a collateral agreement, commitment or undertaking that has the effect, directly or indirectly, of providing Fairfax with consideration of greater value than the Abitibi Bid of $1.00.

As at March 20, 2012, Steelhead's investment in Abitibi was worth approximately US$194 million and its investment in Fibrek was worth approximately $6.5 million under the Abitibi Bid and approximately $8.5 million under the Mercer Bid. Fairfax's investment in Abitibi was worth approximately $267 million and its investment in Fibrek was worth approximately $33.6 million under the Abitibi Bid and $43.7 million under the Mercer bid.

Further, Steelhead continued to purchase shares of Fibrek after December 12, 2011, as is evidenced by the reference to 6,479,000 Fibrek Shares in the Steelhead Letter, which represents an increase of approximately 2,142,500 Fibrek Shares between December 13, 2011 and February 16, 2012. As of February 16, 2012, Steelhead owned approximately 4.98% of the shares of Fibrek.

Between December 14, 2011 and February 16, 2012, we understand that only 102,300 Fibrek Shares traded on the TSX at prices below $1.00, being the amount of consideration offered under the Abitibi Bid. A copy of daily trading data for the Fibrek Shares on the TSX for the period between December 14, 2011 and February 16, 2012 is attached hereto as Exhibit "E". The weighted average price of Fibrek Shares during this period was $1.06.

Again, the only apparent reason to explain Steelhead's continued purchases at prices at or above Abitibi's Bid in such a manner is that it is receiving additional consideration in violation of s. 97.1 of the *Act*.

2. Breaches of Section 93.1 of the *Act*

The definition of "offeror" in s. 93 of the *Act*, applied in this case, means Abitibi, any control person of Abitibi, any person or company acting jointly or in concert with Abitibi and any person or company acting jointly or in concert with a control person of Abitibi.

Fairfax is the largest shareholder of Abitibi, owning 18% of the issued and outstanding shares. As this is less than 20%, Fairfax is not automatically alone deemed to be a control person under the definition of control person in s. 1(1) of the *Act*. However, as Fairfax is the largest shareholder, it alone may hold a sufficient number of the voting rights of Abitibi to affect materially the control of Abitibi. Together, Fairfax and Steelhead hold over 31% of the voting rights of Abitibi and in combination, could be a control person.

Section 91 of the *Act* provides that it is a question of fact whether a person is acting jointly or in concert with an offeror and, without limiting the generality of the foregoing, <u>a person or company that, as a result of any agreement, commitment or understanding with the offeror or with any other person acting jointly or in concert with the offeror, acquires or offers to acquire securities of the same class as those subject to the offer to acquire</u> is <u>deemed</u> to be acting jointly or in concert with an offeror.

In addition, a person or company who, as a result of any agreement, commitment or understanding with the offeror or any party acting jointly or in concert with the offeror, intends to exercise any voting rights of the securities of the offeree issuer jointly or in concert is <u>presumed</u> to be acting jointly or in concert with the offeror.

Pursuant to s. 3.1 of the Hard Lock-Up Agreement, Fairfax has agreed to exercise its voting rights to oppose various actions that could affect the success of the Abitibi Bid. Despite the bald assertion in sections 2.1 and 2.2 of the Hard Lock-Up Agreement that Abitibi and Fairfax are not acting jointly or in concert, it appears that Abitibi, Steelhead and Fairfax are at least presumed to be acting jointly or in concert. Attached as Exhibit "F' hereto is a copy of the Hard Lock-Up Agreement.

In addition to being insiders of Abitibi, Steelhead and Fairfax have also previously been closely involved in Abitibi's management actions, including:

(a) on March 19, 2009, Abitibi filed a Form 8-K with the SEC, a copy of which is attached as Exhibit "G" hereto, in which it disclosed that it had entered into firm commitment agreements with Fairfax and Steelhead, among others, pursuant to which Abitibi obtained commitments to subscribe for an aggregate of US$167 million of first lien notes and 95.3 million series D warrants for an aggregate purchase price of US$150 million;

(b) on April 2, 2009, Fairfax and Steelhead issued a press release, a copy of which is attached as Exhibit "H" hereto, announcing that they were jointly prepared to negotiate to arrange additional funding of at least US$50 million; and

(c) on May 28, 2010, Abitibi filed a Form 8-K with the SEC, a copy of which is attached as Exhibit "I" hereto, disclosing that it had entered into a backstop agreement with Steelhead and Fairfax, among others, in connection with a proposed rights offering.

The information that has been disclosed to date and which is known to Mercer indicates that Steelhead and/or Fairfax have more than just an agreement, commitment or understanding to tender securities under Abitibi's Bid. Steelhead and Fairfax appear to have a long and deep relationship with Abitibi, and have previously acted jointly in relation to Abitibi.

Additionally, the following strongly suggests that Fairfax and Steelhead are improperly acting jointly and in concert with Abitibi and/or each other:

(a) Fairfax and Steelhead are insiders of Abitibi and respectively the largest and second largest shareholders, holding approximately 31.1% of the outstanding Abitibi shares;

(b) The Abitibi Circular disclosed that Steelhead indicated that it would tender to the Abitibi Bid. This evidences that the parties were in discussions prior to the Abitibi Bid;

(c) Steelhead continued to purchase shares of Fibrek after December 12, 2011 at prices at or above Abitibi's Bid of $1.00. There has been no public disclosure by Abitibi or Steelhead of these additional acquisitions;

(d) Steelhead's purchases of Fibrek Shares during the Abitibi Bid, at prices in excess of the $1.00 offer by Abitibi, and its commitment to tender its shares to Abitibi's Bid, increased the number of Fibrek Shares supporting the Abitibi Bid, which pursuant to the three lock-up agreements was 46%, to approximately 51% of the outstanding Fibrek Shares, which essentially provides Abitibi a simple majority of Fibrek. On March 19, 2012, Abitibi, in an apparent attempt to try to distance itself from Steelhead after the fact, stated that "we have no knowledge as to whether or not Steelhead Master Fund, L.P. and its affiliates will deposit their Fibrek Shares under the Offer". This conflicts with the position taken by Steelhead in the Steelhead Letter, which was provided by Abitibi to the Bureau with Steelhead's explicit permission;

(e) Steelhead has made acquisitions of Fibrek Shares at prices <u>above</u> the consideration offered under the Abitibi Bid, only to tender such shares <u>at a loss</u> to the Abitibi Bid. Also, on the acquisitions disclosed in the Abitibi Circular, Steelhead was consistently purchasing more than half of the shares traded each day on the TSX and on 62.5% of the days, Steelhead purchased more than 80% of the shares traded on the TSX. As the purpose of these acquisitions appears to have only been to permit Abitibi to have more than 50% of the shares of Fibrek deposited to its bid, these acquisitions may have also contributed to a misleading appearance of trading activity in or an artificial price for Fibrek Shares;

(f) The only apparent reason a sophisticated party such as Steelhead would make such purchases, knowing it would take a loss, is because it shares a common purpose with Fairfax and Abitibi, which is to achieve a majority under the Abitibi Bid (and majority voting power) in order to ensure the success of the Abitibi Bid. This would appear to be abusive to other Fibrek shareholders. Steelhead and Fairfax, as the two largest shareholders of Abitibi, and Abitibi, appear to share a common purpose and common investment objective with respect to Fibrek. Shareholders of Abitibi would benefit from a below market value acquisition of Fibrek by Abitibi. An improper acquisition of Fibrek by Abitibi below market value takes the value out of the hands of Fibrek shareholders and puts it into the hands of Abitibi shareholders;

(g) Steelhead reviewed and supported the submissions made by Fairfax and the two other shareholders who entered into lock-up agreements with Abitibi, when they requested that the TSX refuse to conditionally approve the issuance of the special warrants to Mercer. Attached as Exhibit "J" is a copy of these submissions from Torys LLP, dated February 13, 2012;

(h) Fairfax has retained lawyers to oppose the request for conditional approval of the listing of the special warrants issued to Mercer and retained lawyers to bring an appeal of the TSX decision, all of which is in support of a lower bid being made to the shareholders of Fibrek. The logical and reasonable inference from this is that Fairfax has a common investment purpose or goal – for Abitibi to acquire the Fibrek Shares for as low a price as possible;

(i) Fairfax, who was apparently not interested in selling its shares of Fibrek before November 2011, offered to sell them to Mercer for $1.50 after considering that $1.20 was too low, and then within weeks entered into negotiations with Abitibi to lock-up its Fibrek Shares and tender them to Abitibi's Bid for $1.00.

It is not known whether Steelhead continued to purchase shares of Fibrek subsequent to February 16, 2012. There has been no public disclosure of its acquisitions of shares of Fibrek since December 15, 2011 in the Abitibi Circular.

The OSC's practitioner report states:

> Our goal in providing broad guidance to the concept of a joint actor and using that concept and the concepts of associates and affiliates within the various rules prescribed by Part XIX is to ensure that all persons or companies who are effectively <u>engaging in a common investment or purchase program</u>, whether in support of or in opposition to a take-over bid, will be required to abide by the rules that govern securities transactions prior to, during and subsequent to the bid."

Section 93.1(1) of the *Act* provides that:

> *An offeror shall not offer to acquire, or make or enter into an agreement, commitment or understanding to acquire beneficial ownership of any securities of the class that are subject to a formal take-over bid or securities convertible into securities of that class otherwise than under the bid on and from the day of the announcement of the offeror's intention to make the bid until the expiry of the bid.*

Pursuant to s. 93.1(2) and OSC Rule 62-504, on the basis that Steelhead is acting jointly or in concert with Abitibi and/or Fairfax, the purchases made by Steelhead on and after November 28, 2011 at a minimum required there to be a pre-existing expressed intention by the offeror during the bid to make purchases outside of the bid. Abitibi's original disclosure on December 15, 2011 stated that Abitibi reserved the right to acquire Fibrek Shares through the TSX during the Abitibi Bid. On January 9, 2012, Abitibi deleted its previous disclosure and stated:

> *Since November 28, 2011, the date on which we announced our intention to make the Offer, neither we nor any of our subsidiaries has acquired beneficial ownership of Fibrek Shares, and until the Expiry Time we will not make any such acquisitions of beneficial ownership of Fibrek Shares by making purchases other than under the Offer.*

Even if this requirement had been met, and it was not met, Rule 62-504 still would have required public disclosure after the close of business on each day a purchase was made. No such disclosure has been made by Abitibi or Steelhead. Accordingly, it seems that Abitibi and/or Steelhead and/or Fairfax have breached Ontario securities law and acted contrary to the public interest in Ontario.

The breaches of Ontario securities law governing acquisitions during a bid and the conduct contrary to the public interest in Ontario by Abitibi, Fairfax and Steelhead are especially egregious because, as noted above, Steelhead's acquisitions have singlehandedly increased the number of Fibrek Shares that may be tendered to the Abitibi Bid from approximately 46% to 51%. This is particularly relevant because Abitibi has reduced the minimum tender condition under its bid from $66^2/_3$% to 50.01% of the outstanding Fibrek Shares. Accordingly, Abitibi now meets the reduced minimum tender condition by relying on the Fibrek Shares acquired improperly and without disclosure by Steelhead during the Abitibi Bid.

3. Misleading Disclosure

In addition to the above breaches on Ontario securities law and conduct contrary to the public interest, it appears that the following disclosure in the Abitibi Circular is deficient and/or improper:

(a) At page 67 of the Abitibi Circular, Abitibi disclosed that:

> *Except as set forth above: (i) neither we nor any of our directors or officers entered into any agreements, commitments or understandings to acquire any securities of Fibrek; and (ii) to our knowledge, after reasonable inquiry, no associate or affiliate of one of our insiders, <u>none of our associates or affiliates, none of our insiders and no person acting jointly or in concert with us, entered</u>*

> *into any agreements, commitments or understandings to acquire any securities of Fibrek.*
>
> *To our knowledge, there are no direct or indirect benefits of accepting or refusing to accept the Offer, or in connection with any Second Step Transaction, that will accrue to any director or officer of Resolute or RFP Acquisition, to any associate or affiliate of a director or officer of Resolute or RFP Acquisition, to any associate or affiliate of Resolute or RFP Acquisition, to any other insider of Resolute or RFP Acquisition or to such insider's associates or affiliates or to any person or company acting jointly or in concert with Resolute or RFP Acquisition, other than those benefits that will accrue to Fibrek shareholders generally.* (Emphasis added)

However, the Abitibi Circular failed to disclose any agreement, commitment or understanding between Abitibi and Steelhead and/or Fairfax or between Steelhead and Fairfax to acquire securities of Fibrek, and the terms and conditions of those agreements, commitments or understandings as required to ensure that the disclosure is not misleading. The foregoing should have included a detailed explanation as to how Abitibi determined entering into such agreement, commitment or understanding was not prevented by the prohibition against collateral agreements in s. 97.1 of the *Act*;

(b) The Abitibi Circular failed to mention any intention of the offeror, as defined in s. 93 of the *Act*, which includes its joint actors, to purchase Fibrek Shares during the Abitibi Bid. In fact, through its variations of the Abitibi circular, Abitibi made disclosure that neither it nor any of its affiliates would purchase shares of Fibrek other than under the Abitibi Bid;

(c) Having made disclosure of some of Steelhead's acquisitions in the Abitibi Circular, Abitibi has not updated the Abitibi Circular to disclose the additional purchases of Fibrek Shares by Steelhead during the Abitibi Bid;

(d) Abitibi was required to make disclosure of any material facts concerning the securities of Fibrek and any other matter not disclosed in the Abitibi Circular that would reasonably be expected to affect a shareholder's decision to accept or reject the offer, which would include disclosure of any agreement, commitment or understanding between Abitibi and Steelhead and/or Fairfax. Additionally, Abitibi's certificate, signed by its President and Chief Executive Officer, Senior Vice-President and Chief Financial Officer and two members of its board, states that the Abitibi Circular "contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made". In light of the foregoing, the certificate appears to be incorrect.

Abitibi varied its disclosure on March 9, 2012 to make a further change to s. 12 of the offer. Abitibi had earlier made a variation to this disclosure on January 9, 2012 as described above. On March 9, 2012, Abitibi made the following change:

> The word "subsidiaries" appearing in the first paragraph of Section 12 of the Offer to Purchase, "Market Purchases", on page 51 of the Offer to Purchase and Circular, as amended and supplemented by the First Notice of Variation, is deleted and replaced by the word "affiliates", such that this paragraph now reads as follows:
>
> *Since November 28, 2011, the date on which we announced our intention to make the Offer, neither we nor, to our knowledge, any of our affiliates has acquired beneficial ownership of Fibrek Shares, and until the Expiry Time we will not make any such acquisitions of beneficial ownership of Fibrek Shares by making purchases other than under the Offer.*

Despite all of these changes, at no time did Abitibi or Steelhead make any disclosure of Steelhead's further acquisitions of Fibrek Shares.

Furthermore, Abitibi's Notice of Variation dated March 19, 2012 uses very ambiguous language to describe the "Restricted Events" condition of the Abitibi Bid in relation to the issuance of special warrants from Fibrek to Mercer and the status of the current proceedings before the Québec Court of Appeal.

At page 9 of the Notice of Variation, Abitibi states:

> *Although the authorization, issuance or sale by Fibrek of the Special Warrants constitute or would constitute Restricted Events pursuant to the terms of the Offer, <u>Resolute anticipates that it will not determine</u> that such authorization, issuance or sale constitute a Restricted Event if: (i) the decision of the Bureau de décision et révision (Québec) dated February 23, 2012 cease trading the Special Warrants has been confirmed by a decision of the Québec Court of Appeal, and such decision is in full force and effect at the Expiry Time; and (ii) the Special Warrants have not been issued or converted, or, if issued or converted, the Québec Court of Appeal shall have effectively nullified the effect of such issuance and/or conversion.*
>
> (Emphasis Added)

Since one of the conditions to the Abitibi Bid, as outlined in Section 4 "Conditions of the Offer" in the Abitibi Circular is that Abitibi "shall have determined that there shall not have occurred a Restricted Event", it appears that the language used by Abitibi above is ambiguous and, therefore, Abitibi has not clearly outlined whether the nullification of the special warrants by the Québec Court of Appeal is or is not a condition to the Abitibi Bid.

All conditions to an offer should be drafted with sufficient specificity to allow for objective verification. A take-over bid circular must be written so that readers are able to understand it and make informed investment decisions. It appears that the ambiguous language used by Abitibi to describe the condition referenced above is prejudicial to Fibrek shareholders who are making an investment decision as to whether to tender to the Abitibi Bid or await the outcome of the Québec proceedings. Enclosed at Exhibit "K" is a copy of a press release issued by Fibrek on March 22, 2012, which addresses such ambiguity in Abitibi's disclosure.

4. **Hard Lock-Up Agreements**

We recognize that lock-up agreements have become a common part of the take-over bid process in Canada. However, in our view, that does not equate to a conclusion that all lock-up agreements are proper and not contrary to the public interest.

The Hard Lock-Up Agreement in this case has the effect of ensuring that shareholder value owing to shareholders of Fibrek is improperly transferred to shareholders of Abitibi. A reasonable and logical inference flowing from Fairfax's decision not to pursue discussions with Mercer further after mention of $1.20 or more for its Fibrek Shares and its decision to accept $1 per share from Abitibi is that it wants to take its money in the form of an increase in value of its significant Abitibi investment rather than through its Fibrek investment.

In our view, to do so is contrary to the public interest and abusive to the shareholders of Fibrek who are not also shareholders of Abitibi. A Hard Lock-Up Agreement such as the one in this case, entered into by an insider and significant shareholder of the offeror, is contrary to the public interest and should not be permitted to dictate the fate of minority shareholders.

We also note that pursuant to s. 6.16, the Hard Lock-Up Agreement is to be governed by and construed pursuant to the laws of Ontario.

We look forward to hearing from Staff in a timely manner in response to our request for Staff to ask for a hearing of the Commission pursuant to s. 127. We also welcome discussion with Staff about our request to the Commission for a joint hearing with the AMF.

Yours faithfully,

for: Joseph Groia

cc. Benoit Dionne, Autorité des Marchés Financiers (Benoit.Dionne@lautorite.qc.ca)