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# AbitibiBowater juggles to avoid large tax bills from \$250 million loan

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MONTREAL — A \$250-million loan between Canadian and U.S. subsidiaries of AbitibiBowater is forcing the company to juggle its corporate structure to avoid a big tax bill.

The Montreal-based company, which is operating under court protection from creditors, faces \$55.25 million withholding tax in Canada, and potentially more in the United States, unless it is able to repay an inter-company loan this year.

At the time of the merger between Abitibi-Consolidated and Bowater last year, the Canadian company agreed to lend AbitibiBowater US Holding LLC \$201.6 million. That amount increased to about \$250 million with interest as of April's court protection.

But the U.S. holding company "does not have sufficient funds" to repay the loan, according to a monitor's report filed in Quebec Superior Court.

Creation of two holding companies would allow the debt to be paid by transferring preferred units under similar terms and conditions.

AbitibiBowater's tax issue comes as the company struggled to avoid bankruptcy in light of a dropping demand for newsprint.

The company, which reports in U.S. dollars, lost \$511 million, or \$8.85 per share for the period ended Sept. 30. That's 69 per cent more than the \$302 million, or \$5.23 per share, loss a year earlier.

Sales decreased 37 per cent to \$1.09 billion.

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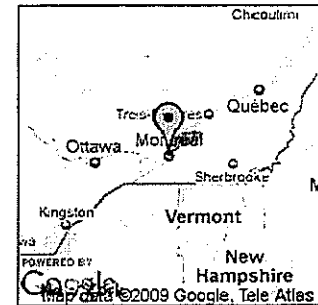
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