

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: September 27, 2007

**Subject: Bowater Incorporated (BOW) Pending Merger With Abitibi-Consolidated Inc. (ABY)**

On Thursday, July 26, 2007, the shareholders of Bowater Incorporated (BOW) voted to approve the proposed merger with Abitibi-Consolidated Inc. (ABY). Pursuant to the merger terms each BOW share will be converted into the right to receive 0.52 ABH common shares. **The merger will become effective on a date to be announced. Upon completion of the merger, the new combined company & equity symbol will be AbitibiBowater Inc. (ABH).**

*\*\*The foregoing is an unofficial summary of the terms of the Merger, prepared by the PHLX for the convenience of its members. PHLX accepts no responsibility for the accuracy or completeness of the summary. Members should refer to the proxy statement for the authoritative description of the merger terms and conditions.*

Pursuant to Options Clearing Corporation (OCC) By-Laws, all outstanding BOW options will be adjusted as follows:

**EFFECTIVE DATE:** Option changes are expected to become effective on a date to be announced  
**SYMBOL(s):** BOW/VOW/YRM becomes BOX/ZGJ/LJS respectively  
**STRIKE PRICE:** No Change  
**POS/EXERCISE LIMIT:** 500,000 contracts until January 2010 expiration; where the limits revert to 250,000  
**MULTIPLIER:** 100\*(eg., Premium of 1.00 = \$100)  
**NEW DELIVERABLE:** 1) 52 ABH common shares.

Bowater Incorporated (BOW) (Before - Date To Be Announced) 100 shares BOW					Bowater Incorporated (BOX) (Beginning - Date To Be Announced) (See New Deliverable Above)				
			Calls	Puts				Calls	Puts
BOW	OCT	7 1/2	JU	VU	BOX	OCT	7 1/2	JU	VU
BOW	OCT	10	JB	VB	BOX	OCT	10	JB	VB
BOW	OCT	12 1/2	JV	VV	BOX	OCT	12 1/2	JV	VV
BOW	OCT	15	JC	VC	BOX	OCT	15	JC	VC
BOW	OCT	17 1/2	JW	VW	BOX	OCT	17 1/2	JW	VW
BOW	OCT	20	JD	VD	BOX	OCT	20	JD	VD
BOW	OCT	22 1/2	JX	VX	BOX	OCT	22 1/2	JX	VX
BOW	OCT	25	JE	VE	BOX	OCT	25	JE	VE
BOW	OCT	30	JF	VF	BOX	OCT	30	JF	VF
BOW	NOV	5	KA	WA	BOX	NOV	5	KA	WA
BOW	NOV	7 1/2	KU	WU	BOX	NOV	7 1/2	KU	WU
BOW	NOV	10	KB	WB	BOX	NOV	10	KB	WB
BOW	NOV	12 1/2	KV	WV	BOX	NOV	12 1/2	KV	WV
BOW	NOV	15	KC	WC	BOX	NOV	15	KC	WC
BOW	NOV	17 1/2	KW	WW	BOX	NOV	17 1/2	KW	WW
BOW	NOV	20	KD	WD	BOX	NOV	20	KD	WD
BOW	NOV	22 1/2	KX	WX	BOX	NOV	22 1/2	KX	WX
BOW	NOV	25	KE	WE	BOX	NOV	25	KE	WE
BOW	DEC	7 1/2	LU	XU	BOX	DEC	7 1/2	LU	XU
BOW	DEC	10	LB	XB	BOX	DEC	10	LB	XB
BOW	DEC	12 1/2	LV	XV	BOX	DEC	12 1/2	LV	XV
BOW	DEC	15	LC	XC	BOX	DEC	15	LC	XC
BOW	DEC	17 1/2	LW	XW	BOX	DEC	17 1/2	LW	XW
BOW	DEC	20	LD	XD	BOX	DEC	20	LD	XD
BOW	DEC	22 1/2	LX	XX	BOX	DEC	22 1/2	LX	XX

BOW	DEC	25	LE	XE	BOX	DEC	25	LE	XE
BOW	DEC	30	LF	XF	BOX	DEC	30	LF	XF
BOW	DEC	35	LG	XG	BOX	DEC	35	LG	XG
BOW	DEC	40	LH	XH	BOX	DEC	40	LH	XH
BOW	DEC	45	LI	XI	BOX	DEC	45	LI	XI
BOW	JAN	5	AA	MA	BOX	JAN	5	AA	MA
BOW	JAN	10	AB	MB	BOX	JAN	10	AB	MB
BOW	JAN	12 1/2	AV	MV	BOX	JAN	12 1/2	AV	MV
BOW	JAN	15	AC	MC	BOX	JAN	15	AC	MC
BOW	JAN	17 1/2	AW	MW	BOX	JAN	17 1/2	AW	MW
BOW	JAN	20	AD	MD	BOX	JAN	20	AD	MD
BOW	JAN	22 1/2	AX	MX	BOX	JAN	22 1/2	AX	MX
BOW	JAN	25	AE	ME	BOX	JAN	25	AE	ME
BOW	JAN	30	AF	MF	BOX	JAN	30	AF	MF
BOW	JAN	35	AG	MG	BOX	JAN	35	AG	MG
BOW	JAN	40	AH	MH	BOX	JAN	40	AH	MH
BOW	JAN	45	AI	MI	BOX	JAN	45	AI	MI
BOW	MAR	7 1/2	CU	OU	BOX	MAR	7 1/2	CU	OU
BOW	MAR	10	CB	OB	BOX	MAR	10	CB	OB
BOW	MAR	12 1/2	CV	OV	BOX	MAR	12 1/2	CV	OV
BOW	MAR	15	CC	OC	BOX	MAR	15	CC	OC
BOW	MAR	17 1/2	CW	OW	BOX	MAR	17 1/2	CW	OW
BOW	MAR	20	CD	OD	BOX	MAR	20	CD	OD
BOW	MAR	22 1/2	CX	OX	BOX	MAR	22 1/2	CX	OX
BOW	MAR	25	CE	OE	BOX	MAR	25	CE	OE
BOW	MAR	30	CF	OF	BOX	MAR	30	CF	OF
BOW	MAR	35	CG	OG	BOX	MAR	35	CG	OG
BOW	MAR	40	CH	OH	BOX	MAR	40	CH	OH
BOW	MAR	45	CI	OI	BOX	MAR	45	CI	OI

Bowater, Inc. - 2009 Leap (BOW/VOW)  
(Before - Date To Be Announced)  
100 shares BOW

			Call	Put
VOW	JAN	10	AB	MB
VOW	JAN	15	AC	MC
VOW	JAN	20	AD	MD
VOW	JAN	25	AE	ME
VOW	JAN	30	AF	MF
VOW	JAN	35	AG	MG
VOW	JAN	40	AH	MH

Bowater, Inc. - 2009 Leap (BOW/ZGJ)  
(Beginning - Date To Be Announced)  
**(See New Deliverable Above)**

			Call	Put
ZGJ	JAN	10	AB	MB
ZGJ	JAN	15	AC	MC
ZGJ	JAN	20	AD	MD
ZGJ	JAN	25	AE	ME
ZGJ	JAN	30	AF	MF
ZGJ	JAN	35	AG	MG
ZGJ	JAN	40	AH	MH

Bowater, Inc. - 2010 Leap (BOW/YRM)  
(Before - Date To Be Announced)  
100 shares BOW

			Call	Put
YRM	JAN	10	AB	MB
YRM	JAN	15	AC	MC
YRM	JAN	20	AD	MD
YRM	JAN	25	AE	ME
YRM	JAN	30	AF	MF

Bowater, Inc. - 2010 Leap (BOW/LJS)  
(Beginning - Date To Be Announced)  
**(See New Deliverable Above)**

			Call	Put
LJS	JAN	10	AB	MB
LJS	JAN	15	AC	MC
LJS	JAN	20	AD	MD
LJS	JAN	25	AE	ME
LJS	JAN	30	AF	MF

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.