CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.

and

ABITIBI-CONSOLIDATED INC.

and

BOWATER CANADIAN HOLDINGS INC.

and

the other Petitioners listed herein

Petitioners

and

ERNST & YOUNG INC.

Monitor

LIST OF EXHIBITS

Exhibit R-1: Draft Sanction Order

Exhibit R-2: Description of Notes extracted from a draft Preliminary Offering Memorandum dated September 14, 2010

Montreal, September 15, 2010

Stikeman Elliott

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

#10597209 v1

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC.
- and -
ABITIBI-CONSOLIDATED INC.
- and-
BOWATER CANADIAN HOLDINGS INC.
- and -
the other Petitioner listed herein
Petitioners
- and -
ERNST & YOUNG INC.
Monitor

BS0350 **n/dos.:** 041053-1170

LIST OF EXHIBITS

ORIGINAL

Me Joseph Reynaud **(514) 397-3019**
Fax : (514) 397-3616

STIKEMAN ELLIOTT
Stikeman Elliott LLP BARRISTERS & SOLICITORS
40th Floor
1155 René-Lévesque Blvd. West
Montréal, Canada H3B 3V2

EXHIBIT R-1

SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

No: 500-11-036133-094

DATE: September _____, 2010

PRESENT: THE HONOURABLE CLÉMENT GASCON, J.S.C.

IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF:

ABITIBIBOWATER INC.

And

ABITIBI-CONSOLIDATED INC.

And

BOWATER CANADIAN HOLDINGS INC.

And

THE OTHER PETITIONERS LISTED ON SCHEDULES "A", "B" AND "C"
Petitioners

And

ERNST & YOUNG INC.
Monitor

SANCTION ORDER

CONSIDERING the *Motion for an Order Sanctioning the Plan of Reorganization and Compromise and Other Relief* (the "**Motion**"), pursuant to Sections 6, 9 and 10 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**"), Section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the "**CBCA**") and other legislation set forth in the Restructuring Transactions Notice, the affidavit of Bruce Robertson in support thereof, the

Monitor's Fifty-Seventh, Supplemental Fifty-Seventh and Fifty-Eighth Reports dated September 7, September 13 and September ●, 2010, respectively, the plan of reorganisation and compromise (as modified, amended or supplemented by CCAA Plan Supplements 3.2, 6.1(a)(i) (as amended on September 13, 2010) and 6.1(a)(ii) dated September 1, 2010, CCAA Plan Supplements 6.8(a), 6.8(b) (as amended on September 13, 2010), 6.8(d), 6.9(1) and 6.9(2) dated September 3, 2010, and the First Plan Amendment dated September 10, 2010 and as may be further modified, amended, or supplemented in accordance with the terms of such plan of reorganization and compromise) attached as Schedule "D" to this Order (the "**CCAA Plan**") and the submissions of counsel for the Petitioners listed in Schedules "A" and "B" hereto other than Bowater Canada Finance Corporation ("**BCFC**") (the "**Applicants**", each an "**Applicant**") and the Monitor, and other interested parties;

GIVEN the provisions of the Initial Order granted by this Court in this matter on April 17, 2009, as subsequently amended and restated, the Claims Procedure Orders granted by this Court on August 26, 2009, January 18, 2010, February 23, 2010, and July 21, 2010, the Cross-border Court-to-Court Protocol approved by this Court on July 28, 2009, the Cross-border Claims Protocol approved by this Court on January 18, 2010, the Cross-border Voting Protocol Approved by this Court on July 9, 2010 and the creditors' meeting order granted by this Court on July 9, 2010, as amended on July 21, 2010;

GIVEN the provisions of the CCAA and CBCA;

WHEREFORE, THE COURT:

1. **GRANTS** the Motion.

<u>**Definitions**</u>

2. Any capitalized terms not otherwise defined in this Order shall have the meaning ascribed thereto in the CCAA Plan and the Creditors' Meeting Order, as the case may be.

<u>**Service and Meeting**</u>

3. **DECLARES** that the notices given of the presentation of the Motion and related Sanction Hearing are proper and sufficient, and in accordance with the Creditors' Meeting Order.

4. **DECLARES** that there has been proper and sufficient service and notice of the Meeting Materials, including the CCAA Plan, the Circular and the Notice to Creditors in connection with the Creditors' Meeting, to all Affected Unsecured Creditors, and that the Creditors' Meeting was duly convened, held and conducted in conformity with the CCAA, the Creditors' Meeting Order and all other applicable orders of the Court.

5. **DECLARES** that no meetings or votes of (i) holders of Equity Securities and/or (ii) holders of equity securities of ABH are required in connection with the CCAA Plan and its implementation, including the implementation of the Restructuring Transactions as set out in the Restructuring Transactions Notice dated September 1, 2010, as amended on September 13, 2010.

CCAA Plan Sanction

6. **DECLARES** that:

   (a) the CCAA Plan and its implementation (including the implementation of the Restructuring Transactions) have been approved by the Required Majorities of Affected Unsecured Creditors in each of the following classes in conformity with the CCAA: ACI Affected Unsecured Creditor Class, the ACCC Affected Unsecured Creditor Class, the 15.5% Guarantor Applicant Affected Unsecured Creditor Classes, the Saguenay Forest Products Affected Unsecured Creditor Class, the BCFPI Affected Unsecured Creditor Class, the AbitibiBowater Canada Affected Unsecured Creditor Class, the Bowater Maritimes Affected Unsecured Creditor Class, the ACNSI Affected Unsecured Creditor Class, the Office Products Affected Unsecured Creditor Class and the Recycling Affected Unsecured Creditor Class;

(b) the CCAA Plan was not approved by the Required Majority of Affected Unsecured Creditors in the BCFC Affected Unsecured Creditors Class and that the Holders of BCFC Affected Unsecured Claims are therefore deemed to be Unaffected Creditors holding Excluded Claims against BCFC for the purpose of the CCAA Plan and this Order;

(c) the Petitioners and the Partnerships have complied with the provisions of the CCAA and all the orders made by this Court in the context of these CCAA Proceedings in all respects;

(d) the Court is satisfied that no Petitioner or Partnership has either done or purported to do anything that is not authorized by the CCAA; and

(e) the CCAA Plan (and its implementation, including the implementation of the Restructuring Transactions), is fair and reasonable, and in the best interests of the Applicants and the Partnerships, the Affected Unsecured Creditors, the other stakeholders of the Applicants and all other Persons stipulated in the CCAA Plan (having considered, among other things, the composition of the vote, what creditors would receive in liquidation or sale as compared to the CCAA Plan, alternatives to the CCAA Plan or liquidation or sale, whether any oppression exists or has occurred, the treatment of shareholders and the public interest).

7. **ORDERS** that the CCAA Plan and its implementation, including the implementation of the Restructuring Transactions, are sanctioned and approved pursuant to Section 6 of the CCAA, Section 191 of the CBCA, and, as at the Implementation Date, will be effective and will enure to the benefit of and be binding upon the Applicants, the Partnerships, the Reorganized Debtors, the Affected Unsecured Creditors, the other stakeholders of the Applicants and all other Persons stipulated in the CCAA Plan.

CCAA Plan Implementation

8. **ORDERS** that the Applicants, the Partnerships, the Reorganized Debtors and the Monitor, as the case may be, are authorized and directed to take all steps and actions

necessary or appropriate, as determined by the Applicants, the Partnerships and the Reorganized Debtors in accordance with and subject to the terms of the CCAA Plan, to implement and effect the CCAA Plan, including the Restructuring Transactions, in the manner and the sequence as set forth in the CCAA Plan, the Restructuring Transactions Notice and this Order, and such steps and actions are hereby approved.

9. **ORDERS** on the Implementation Date, in the sequence as set forth in the Restructuring Transactions Notice, the appropriate directors and officers of the Applicants, the Partnerships and the Reorganized Debtors shall be authorized and directed to issue, execute and deliver any and all agreements, documents, securities and instruments contemplated by the CCAA Plan, and to perform their respective obligations under such agreements, documents, securities and instruments as may be necessary or desirable to implement and effect the CCAA Plan, including the Restructuring Transactions, and to take any further actions required in connection therewith.

10. **ORDERS** that the Applicants, the Partnerships and the Reorganized Debtors shall be entitled to request one or more order(s) from this Court, including CCAA Vesting Order(s), which shall provide for the transfer and assignment of assets to the Applicants, the Partnerships, Reorganized Debtors or other entities referred to in the Restructuring Transactions Notice, free and clear of any Financial Charges (as defined in paragraph 24 of this Order), as necessary or desirable to implement and effect the Restructuring Transactions as set forth in the Restructuring Transactions Notice.

11. **DECLARES** that all matters provided in the CCAA Plan, including the Restructuring Transactions, shall be effected and shall be deemed to have timely occurred, in the manner and the sequence as set forth in the Restructuring Transactions Notice, the terms of which may be amended, supplemented or otherwise modified from time to time, with the approval of the Monitor and in accordance with the CCAA Plan and the applicable Law, and shall be effective without any requirement or further action by the creditors, security holders, directors, officers, managers or partners of any of the Applicants, the Partnerships or the Reorganized Debtors.

12. **DECLARES** that, pursuant to section 191 of the CBCA, the articles of AbitibiBowater Canada will be amended by new articles of reorganization in the manner and at the time set forth in the Restructuring Transactions Notice.

13. **ORDERS** that all Applicants and Partnerships to be dissolved pursuant to the Restructuring Transactions shall be deemed dissolved for all purposes without the necessity for any other or further action by or on behalf of any Person, including the Applicants or the Partnerships or their respective securityholders, directors, officers, managers or partners or for any payments to be made in connection therewith, provided, however, that the Applicants, the Partnerships and the Reorganized Debtors shall cause to be filed with the appropriate Governmental Entities articles, agreements or other documents of dissolution for the dissolved Applicants or Partnerships to the extent required by applicable Law.

14. **ORDERS** that on and after the Implementation Date, the Applicants or Partnerships and the Reorganized Debtors shall not be required to file any document, or take any other action, to withdraw the business operations of any dissolved Applicants or Partnerships from any jurisdiction in which such Applicants or Partnerships previously conducted their business operations.

15. **ORDERS** that, from and after the Implementation Date, all Persons shall be deemed to have waived any and all defaults of each of the Applicants, the Partnerships and the Reorganized Debtors then existing or previously committed by any of the Applicants, the Partnerships or the Reorganized Debtors or caused by any of the Applicants, the Partnerships or the Reorganized Debtors directly or indirectly, or non-compliance with any covenant, undertaking, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contract, credit document, agreement for sale, lease, deed, instrument, license, permit, or other agreement of whatever nature, written or oral, and any and all amendments or supplements thereto (individually, an "**Instrument**"), existing between such Person and any of the Applicants, the Partnerships or the Reorganized Debtors arising directly or indirectly from (i) the filing by the Applicants and the Partnerships under the CCAA, (ii) the implementation of the CCAA Plan (including the Restructuring

Transactions), (iii) the borrowing of funds or receipt of proceeds, as the case may be, under the Exit Facilities, and (iv) the execution and delivery of, and the performance by the Reorganized Debtors of their respective obligations under, the Exit Loan and Security Documents (as defined in paragraph 35 of this Order), including, the granting of hypothecs and Financial Charges (as defined in paragraph 24 of this Order), and (v) the issuance of the Rights Offering Notes on the terms set forth in the Backstop Commitment Agreement, and any and all notices of default and demands for payment under any Instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

16. **DECLARES** that, subject to the performance by the Applicants and the Partnerships of their obligations under the CCAA Plan, and in accordance with Section 8.1 of the CCAA Plan, all contracts, leases, Timber Supply and Forest Management Agreements ("**TSFMA**") and outstanding and unused volumes of cutting rights (backlog) thereunder, joint venture agreements, agreements and other arrangements to which the Applicants or the Partnerships are a party and that have not been terminated including as part of the Restructuring Transactions or repudiated in accordance with the terms of the Initial Order will be and remain in full force and effect, unamended, as at the Implementation Date, and no Person who is a party to any such contract, lease, agreement or other arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of dilution or other remedy) or make any demand under or in respect of any such contract, lease, agreement or other arrangement and no automatic termination will have any validity or effect by reason of:

(a) any event that occurred on or prior to the Implementation Date and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults, events of default, or termination events arising as a result of the insolvency of the Applicants and the Partnerships);

(b) the insolvency of the Applicants, the Partnerships or any affiliate thereof or the fact that the Applicants, the Partnerships or any affiliate thereof sought or obtained relief under the CCAA, the CBCA or the Bankruptcy Code or any other applicable legislation;

(c) any of the terms of the CCAA Plan, the U.S. Plan or any action contemplated therein, including the Restructuring Transactions Notice;

(d) any settlements, compromises or arrangements effected pursuant to the CCAA Plan or the U.S. Plan or any action taken or transaction effected pursuant to the CCAA Plan or the U.S. Plan; or

(e) any change in the control, transfer of equity interest or transfer of assets of the Applicants, the Partnerships, the joint ventures, or any affiliate thereof, or of any entity in which any of the Applicants or the Partnerships held an equity interest arising from the implementation of the CCAA Plan (including the Restructuring Transactions Notice) or the U.S. Plan, or the transfer of any asset as part of or in connection with the Restructuring Transactions Notice.

17. **DECLARES** that any consent or authorization required from a third party, including any Governmental Entity, under any such contracts, leases, TSFMAs and outstanding and unused volumes of cutting rights (backlog) thereunder, joint venture agreements, agreements or other arrangements in respect of any change of control, transfer of equity interest, transfer of assets or transfer of any asset as part of or in connection with the Restructuring Transactions Notice be deemed satisfied or obtained, as applicable.

18. **DECLARES** that the continued existence, operation and ownership of those affiliates of, or entities related to, the Applicants that are neither Applicants in the CCAA Proceedings nor U.S. Debtors in the Chapter 11 Cases, each of which is a component of the Applicants' businesses, shall be unaffected, and all of the Applicants' equity or other interests in such non-Applicant and non-U.S. Debtor affiliates and related entities that are assigned or transferred in the manner and the sequence as set forth in the Restructuring Transactions Notice shall vest in the applicable Reorganized Debtor.

19. **DECLARES** that the determination of Proven Claims in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol and the Creditors' Meeting Order shall be final and binding on the Applicants, the Partnerships, the Reorganized Debtors and all Affected Unsecured Creditors.

Releases and Discharges

20. **ORDERS** that, without limitation to the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol, any Holder of a Claim, including any Affected Unsecured Creditor and any Holder of a Secured Claim who did not file a Proof of Claim in accordance with the provisions of the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol, whether or not such Affected Unsecured Creditor received notice of the claims process established by the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol shall be and is hereby forever barred from making any Affected Claim against the Applicants, the Partnerships and the Reorganized Debtors and any of their respective successors and assigns, and shall not be entitled to any distribution under the CCAA Plan, and that such Affected Claim is forever extinguished.

21. **ORDERS** that, as of the Implementation Date, and subject to the terms of the CCAA Plan (including Article 4 thereof), all Affected Claims of Affected Unsecured Creditors of any nature against the Applicants, the Partnerships or the Reorganized Debtors and any of their respective successors and assigns are hereby forever discharged and released and all proceedings with respect thereto or in connection therewith are permanently stayed, subject only to the right of the Affected Unsecured Creditors to receive the distributions in respect of such Affected Claims in accordance with the CCAA Plan, the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol.

22. **ORDERS** that:

(a) As at the Final Restructuring Transactions Time and subject to the provisions of Subsection 5.1(2) of the CCAA, each Applicant, Partnership and Reorganized Debtor will be deemed to forever release, waive and discharge any and all Obligations (other than the rights of the Applicants, the Partnerships and the Reorganized Debtors to enforce the CCAA Plan and the contracts, instruments, releases, indentures, and other agreements or documents delivered thereunder or pursuant thereto (including with respect to the Restructuring Transactions and the contracts, instruments, releases, indentures and other agreements or documents delivered under the Rights Offering or pursuant thereto)) that are based in whole or in part on any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to any Claims, the CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases that could be asserted by or on behalf of the Applicants or the Partnerships against: (i) present or former directors, officers and employees of the Applicants and the Partnerships, including the Chief Restructuring Officer and any director, officer or employee of any Applicant or Partnership sitting on a committee constituted in connection with the CCAA Proceedings at the request of such Applicant or Partnership, in each case in their respective capacities as of the Implementation Date, (ii) the agents, legal counsel, financial advisors and other professionals of the Applicants and the Partnerships, in each case in their respective capacities as of the Implementation Date, (iii) the Monitor and its legal counsel, (iv) the BI DIP Lenders and the BI DIP Agent, each in their capacities as such, and each of their respective counsel, (v) ULC, (vi) the BCFPI Lenders and the BCFPI Administrative Agent, each in their capacities as such, and each of their respective counsel, (vii) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (viii) the members of, and legal counsel and financial advisors to, the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual capacities, (ix) the members of, and legal counsel and financial advisors to, the Unsecured Creditors' Committee, (x) the Indenture Trustees, (xi) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, (xii) the Backstop Parties, each in their capacities as such, and their respective legal counsel and financial advisors, and (xiii) where applicable, with respect to each of the above named Persons, such Person's present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents and other representatives or professionals (including the partners of any such professional firm);

(b) As at the Final Restructuring Transactions Time, (i) the Applicants, (ii) the Partnerships, (iii) the subsidiaries of Reorganized ABH, (iv) the Monitor, (v) the Chief Restructuring Officer, (vi) the BI DIP Lenders and the BI DIP Agent, each in their capacity as such, (vii) Citibank, N.A., Barclays Bank PLC and Barclays Capital Inc., in their respective capacities under the Securitization Facility, (viii) the members of the Ad Hoc Unsecured Noteholders Committee, as well as Avenue Capital Management II, L.P. and its managed funds, in their individual capacities, (ix) the members of the Unsecured Creditors' Committee, (x) the Indenture Trustees, (xi) the ACCC Administrative Agent pursuant to the ACCC Term Loan Documents, (xii) the Backstop Parties, each in their capacities as such, and (xiii) in each case, their respective present and former advisors, principals, employees, officers, directors, representatives, financial advisors, legal counsel, accountants, investment bankers, consultants, agents and other representatives or professionals (including the partners of any such professional firm) (collectively, the "Released Parties") will be released and discharged from any and all Obligations to any Person (including any Person who may claim contribution or indemnification from or against any Released Party) which are (A) claims which were filed or were required to be filed pursuant to the Claims Procedure Orders, (B) not Inter-Company Claims, or (C) Obligations, to the fullest extent able to be released by a plan of compromise and arrangement pursuant to the CCAA, based in whole or in part upon any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the U.S. Debtors, the subject matter of or the transactions or events giving rise to any Claims, the CCAA Charges, the CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases, provided, however, that nothing herein shall be construed as releasing directors and officers from any claim which cannot be released pursuant to Subsection 5.1(2) of the CCAA. For the purposes of this paragraph 22(b), the Reorganized Debtors shall be considered and deemed for the purposes of the release effected hereby to be new and distinct legal entities established as at the Final Restructuring Transactions Time and to have acquired all of their continuing assets, property and undertaking from the Applicants or Partnerships, as the case may be;

(c) As at the Final Restructuring Transactions Time, each and every one of the Bridgewater Entities will be deemed to forever release, waive and discharge from any and all Obligations to any Person (including any Person who may claim contribution or indemnification from or against any Released Party) which are (A) claims which were filed or were required to be filed pursuant to the Claims Procedure Orders, (B) not Inter-Company Claims, or (C) Obligations, to the fullest extent able to be released by a plan of compromise and arrangement pursuant to the CCAA, against the Released Parties that the Bridgewater Entities may be entitled to assert, based in whole or in part upon any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions

Time in any way relating to, arising out of or in connection with the business and affairs of the Applicants, the business and affairs of the Partnerships, the business and affairs of the Bridgewater Entities, the business and affairs of the U.S. Debtors, the subject matter of, or the transactions or events giving rise to, any Claims, the CCAA Charges, the CCAA Plan, including the Restructuring Transactions, the U.S. Plan, the Rights Offering, the CCAA Proceedings, the Chapter 15 Proceedings and the Chapter 11 Cases, provided, however, that nothing herein shall be construed as releasing directors and officers from any claim which cannot be released pursuant to Subsection 5.1(2) of the CCAA; and

(d) As at the Final Restructuring Transactions Time, each of the 15.5% Senior Unsecured Notes Creditors will be deemed to forever release, waive and discharge any and all Obligations (including any remedies to challenge transfers which may fall within the scope of any bulk sales, fraudulent conveyance or similar statute) against the Bridgewater Entities that the 15.5% Senior Unsecured Notes Creditors may be entitled to assert (other than the rights of the 15.5% Senior Unsecured Notes Indenture Trustee and the 15.5% Senior Unsecured Notes Creditors to enforce the CCAA Plan, including the Restructuring Transactions, and the contracts, instruments, releases, indentures and other agreements or documents delivered hereunder or pursuant hereto), based in whole or in part upon any act, omission, transaction, event or other circumstance or occurrence existing or taking place on or prior to the Final Restructuring Transactions Time in any way relating to, arising out of or in connection with the business and affairs of the Bridgewater Entities, the subject matter of, or the transactions or events giving rise to, any Claims of any nature whatsoever with the 15.5% Senior Unsecured Notes Creditors that could be asserted by or on behalf of the 15.5% Senior Unsecured Notes Creditors against the Bridgewater Entities, provided, however, that nothing herein shall be construed as releasing directors and officers from any claim which cannot be released pursuant to Subsection 5.1(2) of the CCAA.

23. **ORDERS** that any Holder of a Claim who did not file a Proof of Claim or whose Claim is determined to be NIL in accordance with the provisions of the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol, as the case may be, shall at the request of the Applicants, the Partnerships or the Reorganized Debtors, without delay, execute and deliver to the Applicants, the Partnerships or the Reorganized Debtors such releases, discharges, authorizations and directions, instruments, notices and other documents as the Applicants, the Partnerships or the Reorganized Debtors may reasonably request for the purpose of evidencing and/or registering the release and discharge of any and all Financial Charges (as defined in paragraph 24 of this Order) with respect to such Claim, the whole at the expense of the Applicants, the Partnerships or the Reorganized Debtors.

24. **ORDERS** that all Affected Unsecured Creditors having an Affected Claim of any nature against the Applicants, the Partnerships or the Reorganized Debtors shall, at the request of the Applicants, the Partnerships or the Reorganized Debtors, from and after the Implementation Date, without delay, execute and deliver to the Applicants, the Partnerships or the Reorganized Debtors such releases, discharges, authorizations and directions, instruments, notices and other documents as the Applicants, the Partnerships or the Reorganized Debtors may reasonably request for the purpose of evidencing and/or registering the release and discharge of any and all Financial Charges (as defined hereunder) with respect to such Affected Claims of any nature against the Applicants, the Partnerships or the Reorganized Debtors, the whole at the expense of the Applicants, the Partnerships and the Reorganized Debtors, as the case may be.

For purpose of this Order "**Financial Charges**" means any and all legal causes of preference (as such term is defined in Article 2647 of the *Civil code of Québec*), any instrument, document or statutory entitlement that evidences, constitutes or secures an obligation of the Applicants, the Partnerships or the Reorganized Debtors or a Claim against the Applicants, the Partnerships or the Reorganized Debtors for the payment of money or the performance of any other obligation of any kind whatsoever, whether or not such obligation or Claim has been proven in accordance with the Claims Procedure Orders, the Cross-border Claims Protocol, the Cross-border Voting Protocol and the Creditors' Meeting Order, including any mortgage, charge, priority, security interest, lien, pledge, construction lien, statutory lien (whether for taxes or otherwise), claim for lien, construction lien or statutory lien (whether for taxes or otherwise), claim for royalty, judgment, execution or writ of execution and order of this Court creating a charge, lien or encumbrance on the assets of the Applicants and the Partnerships.

25. **ORDERS** that, upon payment in full of all BI DIP Claims and ULC Dip Claim, the BI DIP Lenders and the BI DIP Agent or ULC, as the case may be, shall at the request of the Applicants, the Partnerships or the Reorganized Debtors, without delay, execute and deliver to the Applicants, the Partnerships or the Reorganized Debtors such releases, discharges, authorizations and directions, instruments, notices and other documents as the Applicants, the Partnerships or the Reorganized Debtors may reasonably request for the purpose of evidencing and/or registering the release and discharge of any and all Financial Charges with respect to the BI DIP Claims or the ULC DIP Claim, as the case may be, the whole at the expense of the Applicants, the Partnerships or the Reorganized Debtors.

26. **ORDERS** that, upon payment in full of their Secured Claims in accordance with the CCAA Plan, the ACCC Administrative Agent, the ACCC Term Lenders, the BCFPI Administrative Agent, the BCFPI Lenders, the Canadian Secured Notes Indenture Trustee and any Holders of a Secured Claim, as the case may be, shall at the request of the Applicants, the Partnerships or the Reorganized Debtors, without delay, execute and deliver to the Applicants, the Partnerships or the Reorganized Debtors such releases, discharges, authorizations and directions, instruments, notices and other documents as the Applicants, the Partnerships or the Reorganized Debtors may reasonably request for the purpose of evidencing and/or registering the release and discharge of any and all Financial Charges with respect to the ACCC Term Loan Claim, BCFPI Secured Bank Claim, Canadian Secured Notes Claim or any other Secured Claim, as the case may be, the whole at the expense of the Applicants, the Partnerships or the Reorganized Debtors.

For the purposes of the present paragraph 26, in the event of any dispute as to the amount of any Secured Claim, the Applicants, Partnerships or Reorganized Debtors, as the case may be, shall be permitted to pay to the Monitor the full amount in dispute (as specified by the affected Secured Creditor or by this Court upon summary application) and, upon payment of the amount not in dispute, receive the releases, discharges, authorizations, directions, instruments notices or other documents as provided for therein. Any amount paid to the Monitor in accordance with this paragraph shall be held in trust by the Monitor for the holder of the Secured Claim and the payer as their interests shall be determined by agreement between the parties or, failing agreement, as directed by this Court after summary application.

27. **ENJOINS** the commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, causes of action, counterclaims, suits, enforcement proceeding by any federal, provincial, municipal body or any regulatory authority, or any indebtedness, liability, obligation or cause of action against any of the Applicants, the Partnerships or the Reorganized Debtors released and discharged pursuant to the CCAA Plan.

28. **DECLARES** that the discharge and release provisions set forth herein constitute good faith compromises and settlements of the matters covered thereby, such compromises and settlements are made in exchange for good and valid consideration and are in the best interests of the Applicants, the Partnerships, the Affected Unsecured Creditors, the other stakeholders of the Applicants or Partnerships and all other Persons stipulated in the CCAA Plan, are fair, equitable, reasonable, and are integral elements of the restructuring and resolution of these proceedings in accordance with the CCAA Plan, and each of the discharge and release provisions set forth in the CCAA Plan:

(a) is within the jurisdiction of the Court;

(b) is essential to the implementation of the CCAA Plan;

(c) is an integral element of the settlements and transactions incorporated into the CCAA Plan;

(d) is supported by valuable consideration provided by the beneficiary of such provisions;

(e) confers material benefit on, and is in the best interest of the Applicants, the Partnerships and their stakeholders; and

(f) is important to the overall objectives of the CCAA Plan to finally resolve all Claims among or against the parties-in-interest in these proceedings with respect to the Applicants, the Partnerships, and their organization, capitalization, operation and reorganization.

The failure to effect the discharge, release, indemnification, and exculpation provisions described in the CCAA Plan would seriously impair the ability of the Applicants and the Partnership to implement and give effect to the CCAA Plan.

Accounts with Financial Institutions

29. **ORDERS** that any and all financial institutions (the "**Financial Institutions**") with which the Applicants, the Partnerships and the Reorganized Debtors have or will have accounts (the "**Accounts**") shall process and/or facilitate the transfer of, or changes to, such Accounts in order to implement the CCAA Plan and the transactions contemplated thereby, including the Restructuring Transactions.

30. **ORDERS** that Mr. Allen Dea, Vice-President and Treasurer of ABH, or any other officer or director of the Reorganized Debtors, is empowered to take all required acts with any of the Financial Institutions to affect the transfer of, or changes to, the Accounts in order to facilitate the implementation of the CCAA Plan and the transactions contemplated thereby, including the Restructuring Transactions.

Effect of failure to implement CCAA Plan

31. **ORDERS** that, in the event that the Implementation Date does not occur, Affected Unsecured Creditors shall not be bound to the valuation, settlement or compromise of their Affected Claims at the amount of their Proven Claims in accordance with the CCAA Plan, the Claims Procedure Orders or the Creditors' Meeting Order. For

greater certainty, nothing in the CCAA Plan, the Claims Procedure Orders, the Creditors' Meeting Order or in any settlement, compromise, agreement, document or instrument made or entered into in connection therewith or in contemplation thereof shall, in any way, prejudice, quantify, adjudicate, modify, release, waive or otherwise affect the validity, enforceability or quantum of any Claim against the Applicants or the Partnerships, including in the CCAA Proceedings or any other proceeding or process, in the event that the Implementation Date does not occur.

Charges created in the CCAA Proceedings

32. **ORDERS** that, upon the Implementation Date, all CCAA Charges against the Applicants and the Partnerships or their property created by the CCAA Initial Order or any subsequent orders shall be determined, discharged and released.

Fees and Disbursements

33. **ORDERS AND DECLARES** that, on and after the Implementation Date, the obligation to pay the reasonable fees and disbursements of the Monitor, counsel to the Monitor and counsel to the Applicants and the Partnerships, in each case at their standard rates and charges and including any amounts outstanding as of the Implementation Date, in respect of the CCAA Plan, including the implementation of the Restructuring Transactions, shall become obligations of Reorganized ABH.

Exit Financing

34. **ORDERS** that the Reorganized Debtors are empowered to (a) borrow funds or receive proceeds of: (i) a senior secured asset-based credit facility (the "**ABL Facility**") in the aggregate principal amount of approximately US$600,000,000 on the terms described in the Plan Supplement 6.1(a)(ii) dated September 1, 2010, and (ii) the issuance senior secured notes (the "**Senior Notes**") in the aggregate amount of US$750,000,000 on the terms described in the Description of Notes extracted from a draft *Preliminary Offering Memorandum* dated September 14, 2010 (the "**Description of Notes**") communicated as Exhibit R-2 to the Motion, the terms of which may be amended, supplemented or otherwise modified from time to time, in each case as

approved by the parties thereto, acting reasonably, (b) grant hypothecs and Financial Charges in connection with ABL Facility and the Senior Notes (together the "**Exit Facilities**"), and (c) pay the fees, costs and expenses in connection with the arrangement, syndication and all other matters relating to or arising under the Exit Facilities. On the Implementation Date, all of the hypothecs and Financial Charges to be granted by the Reorganized Debtors in connection with the Exit Facilities shall be deemed to be approved. The terms and conditions of the Exit Facilities as set forth in the Plan Supplement 6.1(a)(ii) dated September 1, 2010 and the Description of Notes, the terms of which may be amended, supplemented or otherwise modified from time to time by the parties thereto are approved and ratified as being entered into in good faith and being critical to the success and feasibility of the CCAA Plan.

35. **ORDERS** that the Reorganized Debtors are authorized and empowered to execute and deliver credit agreements, instruments of indebtedness, guarantees, security documents, deeds, and other documents required to effectuate such Exit Facilities (collectively, the "**Exit Loan and Security Documents**"), as may be required in connection with the Exit Facilities, and the Reorganized Debtors are authorized to perform all of their respective obligations under and in connection with the Exit Loan and Security Documents.

<u>Stay Extension</u>

36. **EXTENDS** the Stay Period until the Implementation Date.

37. **ORDERS** that all orders made in the CCAA Proceedings shall continue in full force and effect in accordance with their respective terms, except to the extent that such Orders are varied by, or inconsistent with, this Order, the Creditors' Meeting Order, or any further Order of this Court.

<u>Monitor and Chief Restructuring Officer</u>

38. **ORDERS** that the First to Fifty-Eighth Reports of the Monitor filed with this Court (the "**Monitors' Reports**") be and are hereby approved, that all actions and conduct of the Monitor and Chief Restructuring Officer in connection with the Claims, the CCAA

Charges, the CCAA Plan, the U.S. Plan and the CCAA Proceedings, including the actions and conduct of the Monitor and the Chief Restructuring Officer disclosed in the Monitor's Reports, are hereby approved, and that the Monitor and the Chief Restructuring Officer have satisfied all of their obligations up to and including the date of this Order.

39. **ORDERS** that, in the event that any Holder of a Claim fails to release and discharge a Financial Charge registered in its favour in connection with a Claim, notwithstanding paragraphs 23, 24, 25, and 26, of this Order within 14 days of the date of a written request to that effect by any of the Applicants, the Partnerships or the Reorganized Debtors, the Monitor shall be authorized to execute on behalf of such Persons, without liability, any releases, discharges, authorizations and directions, instruments, notices and other documents as the Monitor may deem appropriate for the purpose of evidencing and/or registering the release and discharge of such Financial Charges, the whole without prejudice and under reserve of all rights and recourses of the Applicants, the Partnerships or the Reorganized Debtors.

40. **APPROVES** all conduct of the Chief Restructuring Officer and the Monitor in relation to the Applicants, the Partnerships and the U.S. Debtors and bars all Claims against them arising from or relating to the services provided to the Applicants, the Partnerships and the U.S. Debtors prior to the date of this Order, save and except any liability or obligation arising from a breach of its duties to act honestly, in good faith and with due diligence.

41. **ORDERS** that no proceeding shall be commenced against the Monitor or the Chief Restructuring Officer in any way arising from or related to its or his capacity or conduct as Monitor or Chief Restructuring Officer except with prior leave of this Court on notice to the Monitor and Chief Restructuring Officer and upon further order securing, as security for costs, the solicitor and his own client costs of the Monitor and/or the Chief Restructuring Officer, as the case may be, in connection with the proposed action or proceeding.

42. **ORDERS** that the protections afforded to Ernst & Young Inc., as Monitor and as officer of this Court, and to the Chief Restructuring Officer pursuant to the terms of the Initial Order and the other Orders made in the CCAA Proceedings shall not expire or terminate on the Implementation Date and, subject to the terms hereof, shall remain effective and in full force and effect notwithstanding the discharge provided for herein.

43. **ORDERS** that the Monitor shall be discharged of its duties and obligations pursuant to the CCAA Plan, this Order and all other Orders made in the CCAA Proceedings, upon the filing with this Court of a certificate of the Monitor certifying that all of its duties in relation to the claims procedure and all matters relating thereto as set out in the Claims Procedure Orders, the Cross-border Claims Protocol and the Cross-border Voting Protocol, and all other matters for which it is responsible under the CCAA Plan or pursuant to the Orders of this Court made in the CCAA Proceedings, are completed to the best of the Monitor's knowledge.

44. **ORDERS AND DECLARES** that any distributions under the CCAA Plan and this Order shall not constitute a "distribution" and the Monitor shall not constitute a "legal representative" or "representative" of the Applicants for the purposes of section 159 of the *Income Tax Act* (Canada), section 270 of the *Excise Tax Act* (Canada), section 14 of the *Act Respecting the Ministère du Revenu* (Québec), section 107 of the *Corporations Tax Act* (Ontario), section 22 of the *Retail Sales Tax Act* (Ontario), section 117 of the *Taxation Act, 2007* (Ontario) or any other similar federal, provincial or territorial tax legislation (collectively the "Tax Statutes") given that the Monitor is only a Disbursing Agent under the CCAA Plan, and the Monitor in making such payments is not "distributing", nor shall be considered to "distribute" nor to have "distributed", such funds for the purpose of the Tax Statutes, and the Monitor shall not incur any liability under the Tax Statutes in respect of <u>it</u> making any payments ordered or permitted hereunder, and is hereby forever released, remised and discharged from any claims against it under or pursuant to the Tax Statutes or otherwise at law, arising in respect of payments made under the CCAA Plan and this Order and any claims of this nature are hereby forever barred.

45. **ORDERS AND DECLARES** that the Disbursing Agent, the Applicants and the Reorganized Debtors, as necessary, are authorized to take any and all actions as may be necessary or appropriate to comply with applicable Tax withholding and reporting requirements, including withholding a number of shares of New ABH Common Stock equal in value to the amount required to comply with such withholding requirements from the shares of New ABH Common Stock to be distributed to current or former employees and making the necessary arrangements for the sale of such shares on the TSX or the New York Stock Exchange on behalf of the current or former employees to satisfy such withholding requirements. All amounts withheld on account of Taxes shall be treated for all purposes as having been paid to the Affected Unsecured Creditor in respect of which such withholding was made, provided such withheld amounts are remitted to the appropriate Governmental Entity.

Claims Officers

46. **ORDERS** that, in accordance with paragraph 36 hereof, any claims officer appointed in accordance with the Claims Procedure Orders shall continue to have the authority conferred upon, and to the benefit from all protections afforded to, claims officers pursuant to Orders in the CCAA Proceedings.

General

47. **DECLARES** that any of the Applicants, the Partnerships, the Reorganized Debtors or the Monitor may, from time to time, apply to this Court for directions concerning the exercise of their respective powers, duties and rights hereunder or in respect of the proper execution of the Order on notice only to each other.

48. **DECLARES** that this Order shall have full force and effect in all provinces and territories in Canada, in the United States of America and elsewhere.

49. **REQUESTS** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian federal court or administrative body and any federal or state court or administrative body in the United States of America and any court or administrative body elsewhere, to act in aid of and to be complementary to

this Court in carrying out the terms of the Order, including the registration of this Order in any office of public record by any such court or administrative body or by any Person affected by the Order.

Provisional Execution

50. **ORDERS** the provisional execution of this Order notwithstanding any appeal and without the necessity of furnishing any security;

THE WHOLE, without costs.

Montreal, September ______, 2010

____

Honourable Clément Gascon J.S.C.

SCHEDULE "A"

ABITIBI PETITIONERS

1. ABITIBI-CONSOLIDATED INC.
2. ABITIBI-CONSOLIDATED COMPANY OF CANADA
3. 3224112 NOVA SCOTIA LIMITED
4. MARKETING DONOHUE INC.
5. ABITIBI-CONSOLIDATED CANADIAN OFFICE PRODUCTS HOLDINGS INC.
6. 3834328 CANADA INC.
7. 6169678 CANADA INC.
8. 4042140 CANADA INC.
9. DONOHUE RECYCLING INC.
10. 1508756 ONTARIO INC.
11. 3217925 NOVA SCOTIA COMPANY
12. LA TUQUE FOREST PRODUCTS INC.
13. ABITIBI-CONSOLIDATED NOVA SCOTIA INCORPORATED
14. SAGUENAY FOREST PRODUCTS INC.
15. TERRA NOVA EXPLORATIONS LTD.
16. THE JONQUIERE PULP COMPANY
17. THE INTERNATIONAL BRIDGE AND TERMINAL COMPANY,
18. SCRAMBLE MINING LTD.
19. 9150-3383 QUÉBEC INC.
20. ABITIBI-CONSOLIDATED (U.K.) INC.

SCHEDULE "B"

BOWATER PETITIONERS

1. BOWATER CANADIAN HOLDINGS INC.
2. BOWATER CANADA FINANCE CORPORATION
3. BOWATER CANADIAN LIMITED
4. 3231378 NOVA SCOTIA COMPANY
5. ABITIBIBOWATER CANADA INC.
6. BOWATER CANADA TREASURY CORPORATION
7. BOWATER CANADIAN FOREST PRODUCTS INC.
8. BOWATER SHELBURNE CORPORATION
9. BOWATER LAHAVE CORPORATION
10. ST-MAURICE RIVER DRIVE COMPANY LIMITED
11. BOWATER TREATED WOOD INC.
12. CANEXEL HARDBOARD INC.
13. 9068-9050 QUÉBEC INC.
14. ALLIANCE FOREST PRODUCTS (2001) INC.
15. BOWATER BELLEDUNE SAWMILL INC.
16. BOWATER MARITIMES INC.
17. BOWATER MITIS INC.
18. BOWATER GUÉRETTE INC.
19. BOWATER COUTURIER INC.

SCHEDULE "C"

18.6 CCAA PETITIONERS

1. ABITIBIBOWATER INC.
2. ABITIBIBOWATER US HOLDING 1 CORP.
3. BOWATER VENTURES INC.
4. BOWATER INCORPORATED
5. BOWATER NUWAY INC.
6. BOWATER NUWAY MID-STATES INC.
7. CATAWBA PROPERTY HOLDINGS LLC
8. BOWATER FINANCE COMPANY INC.
9. BOWATER SOUTH AMERICAN HOLDINGS INCORPORATED
10. BOWATER AMERICA INC.
11. LAKE SUPERIOR FOREST PRODUCTS INC.
12. BOWATER NEWSPRINT SOUTH LLC
13. BOWATER NEWSPRINT SOUTH OPERATIONS LLC
14. BOWATER FINANCE II, LLC
15. BOWATER ALABAMA LLC
16. COOSA PINES GOLF CLUB HOLDINGS LLC

SCHEDULE "D"

PLAN OF REORGANIZATION AND COMPROMISE

THE PLAN OF REORGANIZATION AND COMPROMISE IS AVAILABLE AT THE FOLLOWING PAGE OF THE MONITOR'S WEBSITE : www.ey.com/ca/abitibibowater AND WAS COMMUNICATED AS EXHIBIT R-1 TO THE MOTION FOR AN ORDER SANCTIONING THE PLAN OF REORGANIZATION AND COMPROMISE AND OTHER RELIEF

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC.
- and -
ABITIBI-CONSOLIDATED INC.
- and-
BOWATER CANADIAN HOLDINGS INC.
- and -
the other Petitioner listed herein
Petitioners
- and -
ERNST & YOUNG INC.
Monitor

BS0350 **n/dos.:** 041053-1170

EXHIBIT R-1

ORIGINAL

Me Joseph Reynaud **(514) 397-3019**
Fax : (514) 397-3616

STIKEMAN ELLIOTT
Stikeman Elliott LLP BARRISTERS & SOLICITORS
40th Floor
1155 René-Lévesque Blvd. West
Montréal, Canada H3B 3V2