CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

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

MOTION FOR THE ISSUANCE OF AN ORDER AUTHORIZING THE SALE OF CERTAIN ASSETS OF THE PETITIONERS
(KENORA ASSETS)
(Section 11 of the *Companies' Creditors Arrangement Act* ("CCAA"))

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, THE PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

A. PREAMBLE

1. On April 17, 2009, this Honourable Court issued an order (as amended and restated, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of (i) Abitibi-Consolidated Inc. ("**ACI**") and subsidiaries thereof

(collectively with ACI, the "**Abitibi Petitioners**")[1]; (ii) Bowater Canadian Holdings Inc. and subsidiaries and affiliates thereof (collectively, the "**Bowater Petitioners**")[2] and (iii) certain partnerships.[3]

2. Pursuant to the terms of the Initial Order, Ernst & Young Inc. (the "**Monitor**") was appointed as monitor of the Abitibi Petitioners and Bowater Petitioners (collectively the "**Petitioners**").

3. Any undefined capitalized expressions used herein shall have the meaning set forth in the Initial Order and in the Asset Purchase Agreement (as defined hereinafter).

B. ORDERS SOUGHT

4. The Petitioners hereby seek the issuance of the following orders (the "**Authorization and Vesting Order**") in connection with the sale of the Kenora Assets (as defined hereinafter), a draft of which is communicated herewith as **Exhibit R-1**:

   (a) an order authorizing and approving the execution by Abitibi-Consolidated Company of Canada ("**ACCC**") and ACI of the *Asset Purchase Agreement* (the "**Asset Purchase Agreement**") by and between ACCC (the "**Vendor**"), as vendor, ACI, as intervener, and 5901058 Manitoba Ltd. (the "**Purchaser**"), as purchaser, an executed copy of which is communicated herewith as **Exhibit R-2**, and the completion of all transactions contemplated therein;

   (b) the issuance of a vesting order in connection with the transactions contemplated in the above-mentioned agreement; and

   (c) a number of orders typically requested along with the above-mentioned orders;

   the whole as set forth in the conclusions to this Motion.

---

[1] The Abitibi Petitioners are Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated., 4042140 Canada Inc., Donohue Recycling Inc., 1508756 Ontario Inc., 3217925 Nova Scotia Company, La Tuque Forest Products Inc., Abitibi-Consolidated Nova Scotia Incorporated, Saguenay Forest Products Inc., Terra Nova Explorations Ltd., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd. and 9150-3383 Québec Inc. Abitibi-Consolidated (U.K.) Inc. was added to the schedule of Abitibi Petitioners on November 10, 2009.

[2] The Bowater Petitioners are Bowater Canadian Holdings Incorporated., Bowater Canada Finance Corporation, Bowater Canadian Limited, 3231378 Nova Scotia Company, AbitibiBowater Canada Inc., Bowater Canada Treasury Corporation, Bowater Canadian Forest Products Inc., Bowater Shelburne Corporation, Bowater LaHave Corporation, St. Maurice River Drive Company Limited, Bowater Treated Wood Inc., Canexel Hardboard Inc., 9068-9050 Québec Inc., Alliance Forest Products (2001) Inc., Bowater Belledune Sawmill Inc., Bowater Maritimes Inc., Bowater Mitis Inc., Bowater Guérette Inc. and Bowater Couturier Inc.

[3] The partnerships are Bowater Canada Finance Limited Partnership, Bowater Pulp and Paper Canada Holdings Limited Partnership and Abitibi-Consolidated Finance LP.

5. The Asset Purchase Agreement contemplates the sale of all of the Vendor's right, title and interest in and to the following property, assets and rights:

   (a) the copies of all books, records, files and documentation of the Vendor which pertain exclusively to the Purchased Assets (as described in section 1.1 of the Asset Purchase Agreement, the "**Books and Records**");

   (b) the written or oral contracts, agreements, leases, indentures, instruments and commitments made by or in favour of the Vendor which relate to the Purchased Assets (as listed in Schedule 1.1(g) of the Asset Purchase Agreement, the "**Contracts**");

   (c) the tangible personal property located in, on or about the Real Property (as defined below) as at May 16, 2010, including all machinery, spare parts, equipment, tools, computers, furniture, fixtures, furnishings owned by the Vendor (as defined in section 1.1 of the Asset Purchase Agreement, the "**Equipment**");

   (d) the real property, consisting of approximately 400 acres, together with all buildings, structures, erections, appurtenances, fixtures and other improvements situated on, in, over or under such real property (as described in Schedule 1.1(v) of the Asset Purchase Agreement, the "**Real Property**");

   (e) the permits, licenses, certificates of compliance, consents, approvals and authorizations of, or registrations with, any Governmental Authority, pertaining exclusively to the Purchased Assets (as listed in Part I of Schedule 1.1(o) of the Asset Purchase Agreement, the "**Licenses**") (the Books and Records, Contracts, Equipment, Real Property and Licenses being collectively hereinafter referred to as the "**Kenora Assets**").

C. BACKGROUND

6. The Kenora Assets consist mainly of a real property, consisting of approximately 400 acres, located in Kenora, Ontario (the "**Real Property**").

7. The Kenora Assets were used primarily for the production of newsprint and a paper mill was located on the Mill Site Area on Ninth Street North, Kenora, Ontario (the "**Kenora Paper Mill**").

8. On October 27, 2005, the Petitioners announced the permanent closure of one paper machine at the Kenora Paper Mill and on December 14, 2005, the Petitioners announced the permanent closure of the Kenora Paper Mill.

9. On June 15, 2006, the Petitioners hired RE/MAX First Choice Realty (Thunder Bay) Ltd. as a broker in order to market the Kenora Assets.

10. On January 26, 2007, the Petitioners received an offer from a first prospective purchaser willing to purchase the Real Property, along with additional land for

$2,500,000. After discussions, this offer was turned down by the Petitioners as it was deemed to be substantially lower than the value of the Kenora Assets.

11. In January 2006, the Petitioners ordered a Phase I environmental study, and promptly after completion of the phase I ESA, a Phase II environmental study.

12. On October 31, 2007, John Gale, the President of Imperial Trading Corporation ("**ITC**"), verbally informed the Petitioners of its intent to acquire the Kenora Assets for $6,000,000 once the Kenora Paper Mill would be completely dismantled and the environmental reports would be completed.

13. On October 17, 2008, the Petitioners received a non-binding letter of intent from ITC confirming its intent to acquire the Kenora Assets for $6,000,000. This letter of intent was executed on October 23, 2008 and was further amended on December 23, 2008 and January 30, 2009.

14. On February 6, 2009, the Petitioners and ITC entered into a first purchase and sale agreement (the "**First Purchase and Sale Agreement**"). The First Purchase and Sale Agreement provided until September 1, 2009 for the due diligence to be completed. It also provided that the Petitioners would transfer the Kenora Assets to ITC once the environmental remediation was completed.

15. The Kenora Paper Mill demolition was completed in September 2009. A former recycled paper plant still remains on the Real Property.

16. On November 29, 2009, the Phase I environmental study of the Real Property was completed by the Petitioners.

17. On January 3, 2010, a letter from ITC requesting an extension of the closing date of the sale agreement due to the delay in the submission of the Phase II environmental report was received by the Petitioners.

18. On February 3, 2010, the Petitioners met with ITC in order to discuss the timing and conditions of the transaction. Such meeting led to negotiations which culminated in an offer by 5901058 Manitoba Ltd. (the "**Purchaser**"), an affiliate of ITC, to purchase the Kenora Assets for the sum of $6,000,000 and to assume all the risks associated therewith (the "**Offer**").

19. On June 1, 2010, the Petitioners, in consultation with the Monitor, accepted the Purchaser's offer.

20. It is expected that the transactions contemplated in the Asset Purchase Agreement will close on the tenth business day (in the City of Kenora) following the date on which all of the conditions in Article 10 of the Asset Purchase Agreement have been satisfied or waived and earlier the Authorization and Vesting Order sought herein has been obtained.

D. GROUNDS FOR THIS MOTION

21. The Petitioners submit that the sale of the Kenora Assets as contemplated in the Asset Purchase Agreement is in the best interest of and will generally benefit all of their stakeholders, in that, *inter alia*:

    (a) the sale of the Kenora Assets forms part of Petitioners' continuing objective and strategy to restructure their business, which will allow them (or any successor thereof) to be profitable over time. This includes the following previously announced measures: (a) disposing of non-strategic assets, (b) reducing indebtedness, and (c) reducing financial costs;

    (b) the property of the Kenora Assets is not vital for the Petitioners to successfully restructure their business;

    (c) the proposed transaction involving the Kenora Assets is on attractive terms in the current market and will provide the Petitioners with additional liquidity;

    (d) the Petitioners' creditors will not suffer any prejudice as a result of the proposed sale of the Kenora Assets and the issuance of the Authorization and Vesting Order since the proceeds of such transaction will be remitted to the Monitor in trust and shall stand in the place and stead of the Kenora Assets. As a result, all liens, charges and encumbrances on the Kenora Assets will attach to such proceeds with the same priority as they had with respect to the Kenora Assets immediately prior to the sale; and

    (e) the Asset Purchase Agreement provides that the Kenora Assets are to be sold on an "as is, where is" basis, at the risk of the Purchaser and without representation and warranty of any kind whatsoever.

22. The Petitioners respectfully submit that this Motion should be granted in accordance with its conclusions.

23. The present Motion is well founded in fact and in law.

WHEREFORE, MAY THIS COURT:

[1] **GRANT** this *Motion for the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners (Kenora Assets)* (the "**Motion**").

[2] **EXEMPT**, if applicable, the Petitioners from having to serve this Motion and from any notice or delay of presentation.

[3] **ISSUE** an order substantially in the form of the draft order communicated as **Exhibit R-2** in support of the Motion.

[4] **THE WHOLE WITHOUT COSTS.**

Montréal, September 27, 2010

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

I, the undersigned, Luc Lachapelle, having my principal place of business at Suite 800, 1155 Metcalfe Street, Montréal, Quebec, H3B 5H2 solemnly declare the following:

1. I am the Vice-President Business Support of AbitibiBowater Inc.

2. All the facts alleged in the *Motion of the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners (Kenora Assets)* are true.

AND I HAVE SIGNED

Luc Lachapelle

Solemnly declared before me at Montréal, on the 27th day of September, 2010

Commissioner for oaths

Commissioner of Oaths
STEPHANIE PEREIRA
174752
For All Judicial Districts of Quebec

NOTICE OF PRESENTATION

TO : SERVICE LIST

TAKE NOTICE that the *Motion for the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners (Kenora Assets)* will be presented for adjudication before the Honourable Judge Clément Gascon of the Superior Court, sitting in practice in and for the District of Montreal, in the **Montreal Court House, 1 Notre-Dame Street East**, on **September 29, 2010**, in a Room to be announced to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, September 27, 2010

Stikeman Elliott LLP

STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

#10597492 v3

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC. *& al*
Petitioners

- and -

ERNST & YOUNG INC.
Monitor

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

MOTION FOR THE ISSUANCE OF AN ORDER AUTHORIZING THE SALE OF CERTAIN ASSETS OF THE PETITIONERS
(KENORA ASSETS)
(Section 11 of the *Companies' Creditors Arrangement Act* ("CCAA"))
AFFIDAVIT
NOTICE OF PRESENTATION

ORIGINAL

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

STIKEMAN ELLIOTT
Stikeman Elliott S.E.N.C.R.L., s.r.l. AVOCATS
40e Étage
1155, boul. René-Lévesque Ouest
Montréal, Québec H3B 3V2

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

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 of "Authorization and Vesting Order"
Exhibit R-2:	Asset Purchase Agreement

Montréal, September 27, 2010

Stikeman Elliott LLP

Stikeman Elliott LLP
Attorneys for the Petitioners

#10600007 v1

EXHIBIT R-1

SUPERIOR COURT

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No: **500-11-036133-094**

DATE: **______________________________, 2010**

PRESENT: **THE HONOURABLE** **MR. JUSTICE 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

VESTING ORDER IN RESPECT OF THE KENORA ASSETS (#______)

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[1] **CONSIDERING** Petitioners' *Motion for the Issuance of an Order Authorizing the Sale of Certain Assets of the Petitioners (Kenora Assets)* (the "**Motion**");

[2] **CONSIDERING** the representations of the parties;

[3] **GIVEN** the provisions of the *Companies' Creditors Arrangement Act* (the "**CCAA**");

FOR THESE REASONS, THE COURT:

[1] **AUTHORIZES AND APPROVES** the execution by Abitibi-Consolidated Company of Canada ("**ACCC**") and Abitibi-Consolidated Inc. ("**ACI**") of the Asset Purchase Agreement dated September ●, 2010, filed as **Exhibit R-1** to the Motion (the "**APA**"), by and between ACCC (the "**Vendor**"), as vendor, ACI, as intervener, and 5901058 Manitoba Ltd. (the "**Purchaser**"), as purchaser, and the completion of all the transactions contemplated therein (the "**Proposed Transactions**") with such alterations, changes, amendments, deletions or additions thereto, as may be agreed to with the consent of the Monitor;

[2] **ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Petitioners to proceed with the Proposed Transactions and that no shareholder or regulatory approval shall be required in connection therewith save and except for those contemplated in the APA;

[3] **ORDERS AND DECLARES** that upon the filing of a Monitor's certificate, substantially in the form appended as **Schedule "D"** hereto (the "**Monitor's Certificate**"), with this Court's registry, all right, title and interest of the Vendor and ACI in and to the Purchased Assets as defined in the APA (the "**Purchased Assets**"), shall vest absolutely and exclusively in and with the Purchaser, free and clear of and from any and all claims, liabilities, obligations, interests, prior claims, hypothecs, security interests (whether contractual, statutory or otherwise), liens, assignments, judgments, executions, writs of seizure and sale, options, adverse claims, levies, charges, liabilities (direct, indirect, absolute or contingent), pledges, executions, rights of first refusal or other pre-emptive rights in favour of third parties, mortgages, hypothecs, trusts or deemed trusts (whether contractual, statutory or otherwise), restrictions on transfer of title, or other claims or encumbrances, whether or not they have attached or been perfected, registered, published or filed and whether secured, unsecured or otherwise (collectively, the "**Purchased Assets Encumbrances**"), other than the permitted encumbrances, easements and restrictive covenants listed on Schedule "F" hereto (the "**Permitted Encumbrances**"), including without limiting the generality of the foregoing: (i) any Purchased Assets Encumbrances created by the Order issued on April 17, 2009 by Justice Clément Gascon, J.S.C., as amended, and/or any other CCAA order; and (ii) all Purchased Assets Encumbrances evidenced by registration, publication or filing pursuant to the British Columbia *Personal Property Security Act* (the "**BC PPR**") or any other applicable legislation providing for a security interest in personal or movable property, the *Bank Act* or any other applicable legislation and, for greater certainty, **ORDERS** that all of the Purchased Assets Encumbrances affecting or relating to the Purchased Assets, other than the Permitted Encumbrances, be expunged and discharged as against the Purchased Assets, in each case effective as of the applicable time and date set out in the APA;

[4] **ORDERS** that upon the registration in the Land Registrar for the Land Titles Division of Kenora **[NTD: Exact name must be verified.]** of a certified copy of this Order, the lands identified in **Schedule "E"** hereto (collectively, the "**Lands**") together with all buildings and other structures, facilities and improvements located thereon and fixtures, systems, interests, licences, rights, covenants, restrictive covenants, commons, ways,

profits, privileges, rights, easements and appurtenances to the said hereditaments belonging, or with the same or any part thereof, held or enjoyed or appurtenant thereto shall, as to the Lands, be transferred to and vest in the Purchaser as registered owner in fee simple, without further instrument of transfer, assignment or discharge, free and clear of all Purchased Assets Encumbrances, other than the Permitted Encumbrances, and for the purpose of this paragraph 4, the Land Registrar is hereby directed to vest the Purchaser as the registered owner of the Lands in fee simple with indefeasible title, and is hereby directed to discharge, cancel and release from title to the Lands all of the Purchased Assets Encumbrances, other than the Permitted Encumbrances;

[5] **ORDERS** the Land Registrar for the Land Titles Division of Kenora, upon presentation of a certified copy of this Order and a copy of the Monitor's Certificate, to discharge, cancel and release from title to the Lands the mortgages and charges filed in said land registry;

[6] **ORDERS** that upon the filing of the Monitor's Certificate with this Court's registry, the Vendor and ACI shall be authorized to take all such steps as may be necessary to effect the discharge of all liens, charges and encumbrances registered against the Purchased Assets, including filing such financing change statements in the BC PPR as may be necessary, from any registration filed against the Vendor or ACI in the BC PPR, provided that the Vendor and ACI shall not be authorized to effect any discharge that would have the effect of releasing any collateral other than the Purchased Assets, and the Vendor and ACI shall be authorized to take any further steps by way of further application to this Court;

[7] **ORDERS AND DECLARES** that the Purchaser shall be deemed to have taken an assignment of only those agreements enumerated in the APA, including the Schedules thereto, and under no circumstances shall the Purchaser be deemed to have taken an assignment of, assumed, be bound by or have any obligations under any other agreement between the Vendor or any of the other Petitioners;

[8] **ORDERS** that the proceeds from the sale of the Purchased Assets, net of all transaction-related costs, including without limitation, attorney's fees (the "**Net Proceeds**") shall be remitted to Ernst & Young Inc., in its capacity as Monitor of the Petitioners, until the issuance of directions by this Court with respect to the allocation of said Net Proceeds;

[9] **ORDERS** that for the purposes of determining the nature and priority of Purchased Assets Encumbrances, the Net Proceeds shall stand in the place and stead of the Purchased Assets, and that upon payment of the Purchase Price (as defined in the APA) by the Purchaser all Purchased Assets Encumbrances shall attach to the Net Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale;

[10] **ORDERS** that notwithstanding:

(i) the proceedings under the CCAA;

(ii) any petitions for a receiving order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**") and any order issued pursuant to any such petition; or

(iii) the provisions of any federal or provincial legislation;

the vesting of the Purchased Assets, contemplated in this Vesting Order, as well as the execution of the APA pursuant to this Vesting Order, are to be binding on any trustee in bankruptcy that may be appointed, and shall not be void or voidable nor deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it give rise to an oppression or any other remedy;

[11] **ORDERS AND DECLARES** that the Vendor and the Purchaser shall be at liberty to amend the Schedules to the APA to include any Purchased Assets not identified by those parties prior to the Time of Closing (as defined in the APA) without the need for further Order of this Court;

[12] **ORDERS AND DECLARES** that the Vendor, ACI and the Purchaser shall be at liberty to apply for such further and other directions as may be necessary to carry out the terms of this Order;

[13] **ORDERS** the provisional execution of this Vesting Order notwithstanding any appeal and without the necessity of furnishing any security;

[14] **WITHOUT COSTS.**

CLÉMENT GASCON, J.S.C.

●
Stikeman Elliott LLP
Attorneys for Petitioners

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"

DRAFT MONITOR'S CERTIFICATE

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*, R.S.C., c. C-36, as amended)

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

CERTIFICATE OF THE MONITOR

RECITALS:

WHEREAS on April 17, 2009, the Superior Court of Quebec (the "**Court**") issued an order (as subsequently amended and restated, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**") in respect of (i) Abitibi-Consolidated Inc. ("**ACI**") and subsidiaries thereof (collectively, the "**Abitibi Petitioners**"),[1] (ii) Bowater Canadian Holdings Inc. and subsidiaries and affiliates thereof (collectively, the "**Bowater Petitioners**")[2] and (iii) certain partnerships[3]. Any undefined capitalized expression used herein has the meaning set forth in the Initial Order and in the Kenora Vesting Order (as defined below);

WHEREAS pursuant to the terms of the Initial Order, Ernst & Young Inc. (the "**Monitor**") was named monitor of, *inter alia*, the Abitibi Petitioners; and

WHEREAS on ●, 2010, the Court issued an Order (the "**Kenora Vesting Order**") thereby, *inter alia*, authorizing and approving the execution by Abitibi-Consolidated Company of Canada ("**ACCC**") and Abitibi-Consolidated Inc. ("**ACI**") of the Asset Purchase Agreement dated September ●, 2010 (the "**APA**"), by and between ACCC (the "**Vendor**"), as vendor, ACI, as intervener, and 5901058 Manitoba Ltd. (the "**Purchaser**"), as purchaser, and the completion of all the transactions contemplated therein (the "**Proposed Transactions**") with such alterations, changes, amendments, deletions or additions thereto, as may be agreed to with the consent of the Monitor.

THE MONITOR CERTIFIES THAT IT HAS BEEN ADVISED BY THE VENDOR AND THE PURCHASER AS TO THE FOLLOWING:

(a) the APA has been executed and delivered;

(b) the portion of the Purchase Price (as defined in the APA) payable at closing and all applicable taxes have been paid;

(c) all conditions to closing under the APA (save and except for the registration of the Kenora Vesting Order in the appropriate Land Registrar) have been satisfied or waived by the parties thereto.

This Certificate was delivered by the Monitor at ____ **[TIME]** on ___________ **[DATE].**

---

1 The Abitibi Petitioners are Abitibi-Consolidated Inc., Abitibi-Consolidated Company of Canada, 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated., 4042140 Canada Inc., Donohue Recycling Inc., 1508756 Ontario Inc., 3217925 Nova Scotia Company, La Tuque Forest Products Inc., Abitibi-Consolidated Nova Scotia Incorporated, Saguenay Forest Products Inc., Terra Nova Explorations Ltd., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd., 9150-3383 Québec Inc. and Abitibi-Consolidated (U.K.) Inc.

2 The Bowater Petitioners are Bowater Canadian Holdings Incorporated., Bowater Canada Finance Corporation, Bowater Canadian Limited, 3231378 Nova Scotia Company, AbitibiBowater Canada Inc., Bowater Canada Treasury Corporation, Bowater Canadian Forest Products Inc., Bowater Shelburne Corporation, Bowater LaHave Corporation, St. Maurice River Drive Company Limited, Bowater Treated Wood Inc., Canexel Hardboard Inc., 9068-9050 Québec Inc., Alliance Forest Products (2001) Inc., Bowater Belledune Sawmill Inc., Bowater Maritimes Inc., Bowater Mitis Inc., Bowater Guérette Inc. and Bowater Couturier Inc.

3 The partnerships are Bowater Canada Finance Limited Partnership, Bowater Pulp and Paper Canada Holdings Limited Partnership and Abitibi-Consolidated Finance LP.

Ernst & Young Inc. in its capacity as the monitor for the restructuration proceedings under the *CCAA* undertaken by AbitibiBowater Inc., Abitibi-Consolidated Inc., Bowater Canadian Holdings Inc. and the other Petitioners listed herein, and not in its personal capacity.

Name: ______________________________

Title: ______________________________

SCHEDULE "E"

REAL PROPERTY

Cameron Bay Area (as defined in section 1.1 of the APA):

PIN 42161-0498
PIN 42161-0568
PIN 42161-0400

Intended to include Transfer of Licence of Occupation #LO 456 and all water lots

Clarifier Area (as defined in section 1.1 of the APA):

PIN 42163-0260
PIN 42163-0255
PIN 42179-0077
PIN 42179-0093
PIN 42179-0094
PIN 42179-0095
PIN 42179-0115

Includes the Recycle Building and Warehouse, Training Building and Storage building located on the afore-mentioned Real Property

Mill Site Area (as defined in section 1.1 of the APA):

PIN 42170-0246
PIN 42170-0244
PIN 42170-0163

East Mill Area (as defined in section 1.1 of the APA):

PIN 42169-0164
PIN 42169-0237
PIN 42169-0160
PIN 42169-0165
PIN 42169-0159
PIN 42169-0163

Veterans Drive Area (as defined in section 1.1 of the APA):

PIN 42179-0425
PIN 42179-0440
PIN 42179-0434
PIN 42179-0441

Where applicable, water lots and mineral rights associated with aforementioned Real Property are to be included and transacted, to the Purchaser at appropriate Closing(s).

[NTD: Please confirm that this is a complete and accurate description of the Real Property.]

SCHEDULE "F"

PERMITTED ENCUMBRANCES

[NTD: Insert description of permitted encumbrances, if any.]

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC. *& al*
Petitioners

- and -

ERNST & YOUNG INC.
Monitor

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

EXHIBIT R-1
(AUTHORIZATION AND VESTING ORDER)

ORIGINAL

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

STIKEMAN ELLIOTT
Stikeman Elliott S.E.N.C.R.L., s.r.l. AVOCATS
40e Étage
1155, boul. René-Lévesque Ouest
Montréal, Québec H3B 3V2

EXHIBIT R-2

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

ABITIBI-CONSOLIDATED COMPANY OF CANADA

AND

5901058 MANITOBA LTD.

AND INTERVENED TO BY

ABITIBI-CONSOLIDATED INC.

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ASSET PURCHASE AGREEMENT

AGREEMENT made this 8th day of September, 2010,

BY AND BETWEEN:

Abitibi-Consolidated Company of Canada, a company incorporated under the laws of the Province of Quebec with its registered office at 1155 Metcalfe Street, Suite 800, Montréal, Québec, H3B 5H2,

("Vendor");

AND:

5901058 Manitoba Ltd., a limited liability company incorporated under the laws of the Province of Manitoba with an address of correspondence at 570 Portage Avenue, Winnipeg, Manitoba R3C 0G4, herein acting and represented by Marcel Chartier, its President

("Purchaser");

THIS AGREEMENT WITNESSETH THAT, in consideration of the mutual covenants herein contained, it is agreed by and between the Parties as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Where used herein or in any amendments hereto or in any communication required or permitted to be given hereunder, the following terms shall have the following meanings, respectively, unless the context otherwise requires:

(a) "**Affiliate**" shall have the meaning ascribed thereto in the *Canada Business Corporations Act*.

(b) "**Agreement**" shall mean this Asset Purchase Agreement and all instruments supplemental hereto or in amendment or confirmation hereof; "Article", "Section" or other subdivision of this Agreement means and refers to the specified Article, Section or other subdivision of this Agreement.

(c) "**Books and Records**" shall mean copies of all books, records, files and documentation (in whatever medium and wherever situated) of Vendor which pertain exclusively to the Purchased Assets; for greater certainty, the phrase "Books and Records" shall include copies of all written Contracts, documentation, evidence or indication of ownership of Vendor in and to any Purchased Asset, all records and correspondence which pertain to the Licenses, but shall not include books, records, files and documentation of Vendor which pertain exclusively to the Excluded Assets or the Business.

(d) "**Business**" shall mean the business of Vendor formerly conducted at the Kenora Paper Mill, consisting of the production of newsprint.

(e) "**Cameron Bay Area**" shall mean the real property described in Part I of Schedule 1.1(v) together with all buildings, structures, erections, appurtenances, fixtures and other improvements situated on, in, over or under such real property.

(f) "**Clarifier Area**" shall mean the real property described in Part II of Schedule 1.1(v) together with all buildings, structures, erections, appurtenances, fixtures and other improvements situated on, in, over or under such real property.

(g) "**Closing**" shall mean the completion of the purchase and sale of the Purchased Assets contemplated hereunder and the payment to Vendor of the Purchase Price required to be paid at the Closing pursuant to Section 3.1.

(h) "**Contracts**" shall mean the written or oral contracts, agreements, leases, indentures, instruments and commitments made by or in favour of Vendor which relate to the Purchased Assets and are listed in Schedule 1.1(g).

(i) "**Court Order**" shall mean the order of the Quebec Superior Court authorizing the Vendor to enter into an consummate the transactions contemplated herein, such order to contain substantially the same terms as described in Schedule 1.1(i).

(j) "**Deposit**" shall mean an amount of $500,000 to be deposited by Purchaser with the solicitors for the Vendor, in escrow, within three (3) business days of the execution by both Parties of this Agreement.

(k) "**Equipment**" shall mean the tangible personal property located in, on or about the Real Property as at May 16, 2010, including all machinery, spare parts, equipment, tools, computers, furniture, fixtures, furnishings owned by the Vendor, including, among other things, all perimeter fencing including gates and gating, all yard lighting, fire protection and water systems, on-site transformers, all railways and spurs, all paved or hard-surfaced areas, all fixtures and services in the recycling building and warehouse, in the training building and in the storage building together with all manual and motorized doors and all of which equipment or shelving are now located in, on or about the Real Property but excluding any and all tangible personal property relating to the operation, maintenance and repairs of the assets owned by ACH Limited Partnership, whether or not located in, on or about the Real Property.

(l) "**Environment**" shall mean all components of the earth, including, without limitation, air (and all layers of the atmosphere), land (and all surface and subsurface soil, underground spaces and cavities and all land submerged under water including sediments) and water (and all surface and underground water), organic and inorganic matter and living organisms, and the interacting natural systems that include components referred to above.

(m) "**Environmental and Safety Requirements**" shall mean all applicable Laws and binding contractual obligations concerning health and safety and Hazardous Materials and protection of the Environment.

(n) "**Governmental Authority**" shall mean any multinational, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, any subdivision or authority of any of the foregoing, or any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

(o) "**GST**" shall mean the goods and services tax or any similar tax required to be paid pursuant to the *Excise Tax Act* (Canada).

(p) "**Hazardous Substances**" shall mean any substance which is or is deemed to be alone or in any combination, hazardous, hazardous waste, hazardous material, toxic, a pollutant, a deleterious substance, a contaminant or source of pollution or contamination or for which obligations or liability may arise under any currently applicable Laws relating to the Environment, Hazardous Substances, pollution or protection of the Environment, including Laws relating to: (i) soil, sediment and groundwater contamination; **(ii)** Releases of any Hazardous Substances into the Environment; and **(iii)** the manufacture, processing, distribution, use, treatment, storage, transport, packaging, labelling, sale, recycling, disposal, destruction, incineration, burial, handling or remediation of Hazardous Substances.

(q) "**HST**" shall mean the harmonized sales tax or any similar tax required to be paid pursuant to the *Excise Tax Act* (Canada) or any similar provincial legislation.

(r) "**Kenora Paper Mill**" shall mean the paper mill formerly located on the Mill Site Area on Ninth Street North, Kenora, Ontario.

(s) "**Laws**" shall mean (i) all laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, including the common law and (ii) all judgments, orders, writs, injunctions, decisions, rulings, decrees, requirements and awards of any Governmental Authority, which in each of the above cases binds or affects the Party or Person referred to in the context in which such word is used.

(t) "**Licenses**" shall mean permits, licenses, certificates of compliance, consents, approvals and authorizations of, or registrations with, any Governmental Authority, pertaining exclusively to the Purchased Assets listed in Part I of Schedule 1.1(o).

(u) "**Liens**" shall mean all mortgages, charges, pledges, liens, security interests, security granted under the *Bank Act* (Canada), easements, conditional sales contracts, ownership or title retention agreements and other encumbrances or rights of any nature whatsoever or however arising that in substance secure payment or performance of an obligation.

(v) "**Mill Site Area**" shall mean the real property described in Part III of Schedule 1.1(v) together with all buildings, structures, erections, appurtenances, fixtures and other improvements situated on, in, over or under such real property.

(w) "**ORST**" shall mean the Ontario retail sales tax required to be paid pursuant to the *Retail Sales Tax Act* (Ontario).

(x) "**Parties**" shall mean Vendor and Purchaser; and "**Party**" shall mean either one of them as the context may require.

(y) "**Person**" shall mean an individual, corporation, company, cooperative, partnership, trust, unincorporated association, entity with juridical personality or Governmental Authority and pronouns which refer to a Person shall have a similarly extended meaning.

(z) "**Real Property**" shall mean the real property, consisting of approximately 400 acres, described in Schedule 1.1(v) together with all buildings, structures, erections, appurtenances, fixtures and other improvements situated on, in, over or under such real property.

(aa) "**Release**" shall mean **(i)** when used as a verb: release, spill, leak, emit, deposit, discharge, leach, migrate, dump, issue, empty, place, seep, exhaust, abandon, bury, incinerate or dispose into the Environment, and **(ii)** when used as a noun, has a correlative meaning.

(bb) "**Taxes**" **or** "**Tax**" shall mean all taxes, including income, withholding, real property, social service, corporation, capital, value added, sales, franchise, excise, profits, gross receipts, customs duties, stamp, transfer, water, business GST, ORST and HST.

(cc) "**Veterans Drive Area**" shall mean the real property described in Part IV of Schedule 1.1(v) together with all buildings, structures, erections, appurtenances, fixtures and other improvements situated on, in, over or under such real property.

1.2 Other Defined Terms

In addition to the defined terms in Section 1.1, each of the following capitalized terms shall have the meaning ascribed thereto in the corresponding Sections:

Term:	**Section**
Assumed Liabilities	2.6
Closing Date	12.1
Excluded Assets	2.2
Excluded Liabilities	2.7
Extended Inspection Period	8.1
Indemnified Party	11.4
Indemnifying Party	11.4
Inspection Period	8.1
Losses	10.1

Non-Satisfaction Notice	8.2
Purchase Price	3.1
Purchased Assets	2.1
Purchaser	Preamble
Registry	7.2
Rights	2.4
RSC	7.2
Third Party Claim	11.4
Time of Closing	11.1
Vendor	Preamble

1.3 Schedules and Exhibits

The following is a list of the Schedules and Exhibits attached hereto and incorporated herein by reference:

Schedule 1.1(g)	-Contracts
Schedule 1.1(i)	-Court Order
Schedule 1.1(o)	-Licenses and Non-Transferable Licenses
Schedule 1.1(v)	-Real Property
Schedule 2.9	-Right of First Refusal
Schedule 8.1	-Plan

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale

Upon and subject to the terms and conditions hereof, Vendor shall sell, assign, convey and transfer to Purchaser, and Purchaser shall purchase and acquire from Vendor, at Time of Closing and for the Purchase Price, all of Vendor's right, title and interest in and to the following property, assets and rights, other than the Excluded Assets (collectively, the "**Purchased Assets**"):

(a) the Books and Records;

(b) the Contracts;

(c) the Equipment;

(d) the Real Property; and

(e) the Licenses;

It is hereby agreed that the transactions contemplated in this Agreement do not represent the sale of a business as defined in Section 69 of the *Labour Relations Act* (Ontario), whereby a trade union acquires successor rights to any business to be operated on the Real Property or any portion thereof by the Purchaser or any successor owner or occupier to the Purchaser. The Vendor hereby declares that the nature of its business is that of a multi-national pulp and paper producer. The Purchaser hereby declares that the nature of its business is that of a developer in the City of Kenora in the Province of Ontario, focusing primarily on housing and recreational opportunities on Lake of the Woods, and also involved in the industrial/commercial multiple-use redevelopment of the Mill Site Area. Each party hereby acknowledges that it does not engage in a business that is similar to the other party's business.

2.2 Excluded Assets

The phrase Purchased Assets does not include the following (collectively, the "**Excluded Assets**"):

(a) assets owned by third parties and located on the Real Property;

(b) all insurance policies of Vendor, including, without limitation, all policies associated with any of the Purchased Assets;

(c) real property other than the Real Property;

(d) the Margach landfill and the access rights associated therewith;

(e) Tax refunds and credits receivable by Vendor;

(f) the names "Abitibi" and "Bowater" or any variations thereof including, without limitation, the names of any predecessors of Vendor or any Affiliate of Vendor;

(g) all intellectual property rights owned or used by Vendor;

(h) all cash on hand, bank balances, moneys in the possession of banks and other depositaries, term or time deposits, guaranteed investment certificates, treasury bills, other securities and other similar cash or cash-equivalent items;

(i) accounts receivable;

(j) the rights of Vendor under this Agreement.

2.3 Instruments of Conveyance

In order to effectuate more fully and completely the sale, assignment, conveyance and transfer of the Purchased Assets pursuant to the terms and conditions hereof, Vendor shall deliver to Purchaser such ancillary agreements and/or Court Order, if necessary, with respect to the Real Property in form and substance to be agreed to between Vendor and Purchaser, as requested by Purchaser, acting reasonably, to permit the assignment, transfer and conveyance from Vendor to Purchaser and the acquisition by Purchaser from Vendor of all right, title and interest of Vendor in, to and under the Purchased Assets, the whole with effect as of the Closing Date.

2.4 Assignment of Contracts, etc.

Vendor shall use commercially reasonable efforts to obtain all required third party and or judicial consents necessary for the sale, assignment, transfer and conveyance by Vendor to Purchaser of any Contracts and other Purchased Assets (other than Licenses) (collectively, the "**Rights**"). Purchaser shall cooperate with Vendor in obtaining such consents including entering into assumption agreements and written agreements with the other party to the Right. Subject to the preceding sentence, the Purchaser shall assume all Rights on closing.

In order, however, that the full value of any Right may be realized for the benefit of Purchaser, to the extent permitted by applicable Law and Contracts, as the case may be, Vendor shall, in respect of Rights related to consents for which the other contractant or issuer has not responded, at the written request and under the direction and expense of Purchaser, in the name of Vendor or as otherwise specified by Purchaser, acting reasonably, take all such reasonable action and do or cause to be done all such reasonable things which are necessary and advisable in order that the obligations of Vendor in connection with such Right may be performed by Purchaser as agent of Vendor in such manner that the value of such Right shall be preserved and shall, as between the Parties, inure to the exclusive benefit of Purchaser, and that the collection of moneys due and payable to Purchaser in connection with such Right shall be received by Purchaser. Vendor shall promptly pay over to Purchaser all moneys collected by or paid to or for Vendor in respect of every such Right.

Purchaser shall be entirely responsible for the timely performance of the obligations associated with any such Rights it requests Vendor to maintain in accordance with the above.

Vendor shall not be required to make any expenditures in connection with its obligations under this Section to preserve Rights and, in any case, all such obligations shall expire on Closing.

2.5 Transfer of Licenses

The transfer, issuance or re-issuance of any Licenses related to the Purchased Assets will be the sole responsibility of Purchaser and such process will be at the sole expense and cost of Purchaser. At the written request of Purchaser, Vendor shall cooperate with Purchaser in any reasonable and lawful process of such transfers of Licenses to Purchaser.

Purchaser shall from time to time promptly apprise Vendor of its efforts to effect the transfer, issuance or re-issuance of such Licenses. Without limiting the generality of the foregoing, Purchaser shall invite Vendor, with prior written notice of no less than forty-eight (48) hours, and Vendor shall be entitled, to participate in **(i)** all inspections by Governmental Authorities of which Purchaser is given prior notice by the Governmental Authority related to the transfer, issuance or re-issuance of such Licenses to which Purchaser is entitled to participate in; **(ii)** all meetings with Governmental Authorities to negotiate the establishment of any aforesaid conditions or requirements; and **(iii)** all other material discussions with a Governmental Authority involving the establishment of any aforesaid conditions or requirements.

2.6 Assumption of Liabilities

Subject to Closing, and the Court Order but with effect from Time of Closing, Purchaser hereby agrees, as part of the consideration for the Purchased Assets, to assume, discharge, satisfy, perform and fulfill in a timely manner, strictly in accordance with their terms, any and all liabilities and obligations with respect to the Purchased Assets, including, without limitation, any and all liabilities of the Vendor arising under Environmental and Safety Requirements at, on, under or from the Real Property or in respect of any of the other Purchased Assets or in relation to the operation thereof, other than the Excluded Liabilities (collectively, the "Assumed Liabilities"), including, without limitation, liabilities relating to:

(a) any presence or Release of any Hazardous Materials in or into the Environment whether in, on, under, at or from the Real Property or relating to the other Purchased Assets, including any investigation, monitoring, removal, remediation, clean-up obligations or financial assurance in relation to such Hazardous Materials;

(b) any obligation under or non-compliance with past, present or future Environmental and Safety Requirements and any obligation under or default or revocation in respect of any permits, licenses, certificates of authorization, authorizations, certificates of approval, registrations and any other form of approval granted by a Governmental Authority in connection with the Real Property;

(c) any demand, request, direction, proceeding, claim, order, decision or sanction of any Governmental Authority or third party in respect of any Environmental and Safety Requirements, any Hazardous Materials, any Release or any other activity or condition related to the Environment or human health and safety;

(d) the classification of any of the Real Property or other Purchased Assets as a contaminated site or orphan site by any Governmental Authority;

(e) all matters set out in the environmental reports provided, prior to the date hereof, to the Purchaser by the Vendor; and

(f) the presence of any waste on or at the Real Property and/or any of the other Purchased Assets, including PCB waste on or at the Real Property.

2.7 Excluded Liabilities

Unless otherwise expressly provided herein and expressly subject to Section 2.6, from Closing on the Closing Date, Vendor shall not assume and shall have no obligation to assume, discharge, satisfy, perform or fulfill, any liabilities or obligations with respect to the Purchased Assets, other than obligations accruing due prior to Closing Date under the Contracts, Licenses and Permitted Encumbrances (collectively, the "Excluded Liabilities").

2.8 Post-Closing Amounts Paid

All amounts paid after the Closing Date, that constitute an Assumed Liability or a liability of Purchaser relating to periods after such Closing Date, paid by Vendor in error after such Closing Date shall be for the account of Purchaser and Purchaser shall, upon demand, reimburse Vendor for any such amounts paid by Vendor.

2.9 Right of First Refusal

Vendor shall grant to the Purchaser, on Closing, a Right of First Refusal on terms and conditions as set out in Schedule 2.9 herein on the lands set out with particularity on Schedule 2.9.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The consideration for the sale, assignment, transfer and conveyance made pursuant to Article II (the "**Purchase Price**") shall be $6,000,000, which, subject to the terms and conditions hereof, shall be satisfied by Purchaser as follows:

(a) by the payment at the Time of Closing of an amount of $6,000,000, inclusive of the Deposit which shall be released from escrow at such time, plus any applicable taxes by certified cheque, bank draft or wire transfer to, or to the order of, Vendor or as the Court Order directs; and

(b) the assumption at the Time of Closing of the Assumed Liabilities referred to in, and in accordance with, Section 2.6.

3.2 Allocation of Purchase Price

The Purchase Price shall be allocated among the Purchased Assets by the parties as $4,500,000.00 for buildings and $1,500,000.00 for land. The allocation of the Purchase Price shall be final and binding upon the Parties for all purposes, including the filing of all Tax or other returns and the preparation of all financial statements and other documents and records.

3.3 Transfer Taxes

Purchaser shall be liable and shall pay all land transfer Taxes and associated HST and GST, registration fees, license fees or other like charges properly payable upon and in connection with the sale, assignment, conveyance and transfer of the Purchased Assets from Vendor to Purchaser hereunder.

3.4 Real Estate Adjustments

(a) Adjustments shall be made on the closing date for all items normally adjusted between a Vendor and Purchaser in respect of the sale of immovable property similar to the real property, including, to the extent applicable to this transaction, and without limitation, realty, municipal, utilities, water and school taxes and local improvement charges or rates.

(b) The Parties agree to readjust after the Closing Date all items adjusted in accordance with the terms of this Section 3.4 or that should have been adjusted hereunder forthwith at the request of either Party if such readjustment is appropriate to fulfil the terms of this Section 3.4. Such readjustment shall take place no later than six (6) months after the Closing Date.

(c) Each Party further hereby undertakes to remit to the other Party, or as directed by same, any undue payment received from third party at anytime from and after the Closing Date.

ARTICLE 4
SALE ON AN "AS IS, WHERE IS" BASIS

Purchaser agrees that except as set out in Section 5.1 of this Agreement, the Purchased Assets are being sold by Vendor to Purchaser, and the transaction contemplated hereby is to be completed, on an "as-is, where-is" basis. Purchaser acknowledges and agrees that Vendor makes no representations, warranties, covenants, promises, guarantees or conditions of any kind whatsoever, statutory or otherwise, express or implied, with respect to the Purchased Assets, including, without limiting the generality of the foregoing, any representations, warranties or covenants, either express or implied, as to title, value, state of repair, use of the Purchased Assets for Purchaser's intended use, environmental condition, zoning, permits, compliance with Laws, the availability of utilities, habitability, merchantability, fitness or suitability for any purpose threatened claims or litigation, investment potential, tax ramifications or consequences, or in respect of any other matter or thing whatsoever, and Vendor hereby expressly negates and disclaims same. Purchaser further acknowledges that: **(i)** it is conducting its own due diligence and will rely on its own investigations in determining to acquire the Purchased Assets; **(ii)** any due diligence materials that have been made available to Purchaser during the course of its investigations have been made without any representations and warranties whatsoever; **(iii)** the description of the Purchased Assets contained in this Agreement is for the purpose of identification only and the inclusion of any item in the description of the Purchased Assets does not confirm the existence of any such items or that such time is owned by Vendor; and **(iv)** it shall bear all risks associated with the Purchased Assets, including, without limitation, the risks and Environmental Liabilities associated with the holding of the Purchased Assets and the occupation and operation thereof. The provisions of this Article 4 shall survive Closing.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Vendor

Expressly subject to Article 4, Vendor represents and warrants to Purchaser as follows, with the understanding that such representations and warranties shall be the exclusive source of representations or warranties for the benefit of Purchaser, Purchaser having expressly acknowledged that Vendor, other than as set forth in this Section 5.1, gives no representation or warranty as to title, outstanding Liens, descriptions, fitness for purpose, merchantability, quality, condition, quantity, suitability, durability, assignability or marketability thereof or any other matter or thing whatsoever:

(a) **Due Incorporation**. Vendor:

(i) is duly incorporated, existing and in good standing under the laws of the Province of Quebec; and

(ii) subject to compliance with the Companies' Creditors Arrangement Act and the Court Order, has all necessary corporate power and authority to own, lease and operate the Purchased Assets.

(b) **Due Authorization.** Subject to the Court Order, Vendor has the necessary corporate power, authority and capacity to execute this Agreement and to perform its obligations hereunder. The execution of this Agreement by Vendor and the performance by Vendor of its obligations hereunder have been duly authorized by all necessary corporate action on its part.

(c) **Enforceability.** This Agreement will constitute upon execution a legal, valid and binding obligation of Vendor enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and similar Laws affecting the enforcement of creditors' rights generally and to general equitable principles.

(d) **Resident.** Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

(e) **G.S.T. Registration.** The Vendor is a registrant within the meaning of Part IX of the *Excise Tax Act* (Canada) and its registration number is 888791241.

(f) **No Broker.** None of Vendor or any of its directors, officers, employees or agents has employed or incurred any liability to or utilized the services of, any broker, finder or agent for which any brokerage fees, finder's fees, commissions or other amounts would be payable with respect to this Agreement or any of the transactions contemplated hereby.

5.2 Representations and Warranties of Purchaser

Purchaser represents and warrants to Vendor as follows and acknowledges that Vendor is relying upon such representations and warranties in connection with the sale by Vendor of the Purchased Assets and that Vendor would not have entered into this Agreement without such representations and warranties:

(a) **Due Incorporation.** Purchaser is duly incorporated, validly existing and in good standing under the Laws of its jurisdiction of incorporation and has the necessary corporate power to own or lease its properties and to carry on its business as such business is presently conducted.

(b) **Due Authorization.** Purchaser has the necessary corporate power, authority and capacity to execute this Agreement and to perform its obligations hereunder. The execution of this Agreement by Purchaser and the performance by Purchaser of its obligations hereunder have been duly authorized by all necessary corporate action on its part. Such execution and performance by Purchaser do not require any action or consent of, any registration with, or notification to, any Person, or any action or consent under any Laws to which Purchaser is subject.

(c) **Enforceability.** This Agreement constitutes a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization and similar Laws affecting the enforcement of creditors rights generally and to general equitable principles.

(d) **No Conflict.** The execution of this Agreement, the consummation of the transactions contemplated herein, the performance by Purchaser of its obligations hereunder and the compliance by Purchaser with this Agreement do not violate, contravene or breach, or constitute a default under, the constating instruments or by-laws of Purchaser, or any contracts or instruments to which Purchaser is a party.

(e) **G.S.T. Registration.** The Purchaser is a registrant within the meaning of Part IX of the *Excise Tax Act* (Canada) and its registration number is 858956055.

(f) **No Broker.** Neither Vendor or Purchaser nor any of its shareholders, directors, officers, employees or agents has employed or incurred any liability to any broker, finder or agent for any brokerage fees, finder's fees, commissions or other amounts with respect to this Agreement or any of the transactions contemplated hereby.

(g) **No Other Representation.** The representations and warranties of Purchaser contained in this Section 5.2 are the only representations and warranties made by 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 contractual or legal, either express or implied by Purchaser or construed by Vendor, is made in connection with, arising out of or relating to the transactions, Vendor hereby waiving any such other representation, warranty or condition.

ARTICLE 6
COVENANTS OF VENDOR

6.1 Maintenance of Purchased Assets

From the date hereof up to Closing Date, Vendor and Purchaser shall not, without their mutual consent:

(a) sell or otherwise in any way alienate or dispose of any of the Purchased Assets;

(b) disclose any information about the Purchased Assets to anyone other than those entitled to it by law or in accordance with the process of due diligence; and

(c) disclose the contents of this Agreement.

6.2 Notification

From the date hereof up to each Closing Date, Vendor will promptly notify Purchaser in writing if Vendor becomes aware of any fact or condition that causes or constitutes a breach of any of Vendor's representations and warranties as of the date of this Agreement, or if Vendor becomes aware of the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, Vendor will promptly notify Purchaser in writing of the occurrence of any breach of any covenant of Vendor in this Article 6 or of the occurrence of any event that may make the satisfaction of the conditions in Article 10 impossible.

6.3 Closing

If each condition set forth at Section 10.2 is (i) performed or complied with, or (ii) waived by Vendor, and if the Agreement is not terminated in accordance with Section 10.1 or 10.3, Vendor shall, on the Closing Date, at the place of Closing:

(a) take all actions required to permit the Purchased Assets to be duly and validly transferred to, and registered in the name of, Purchaser including delivery of the issued and entered Court Order ;

(b) execute and deliver to Purchaser all deeds of conveyance, bills of sale, assurances, transfers, assignments and documents required hereunder and any other documents necessary to sell, assign and transfer all of the Purchased Assets to Purchaser including, without limitation, the following documentation:

   (i) assignments and assumptions of the Licenses and the Contracts if, to the extent necessary, third party consents have been obtained; and

   (ii) an Application to register a Court Order to effect a transfer of title to the Real Property in registerable form, signed for completeness and release by the Vendor's Ontario solicitor, and which transfer is to be initially prepared and electronically messaged to the Vendor's Ontario solicitor by the Purchaser's Ontario solicitor; and

(c) execute and deliver to Purchaser a certificate to the effect that each of Vendor's representations and warranties in this Agreement (except as qualified in the certificate) is true and correct in all material respects as of the Closing Date as if made on each Closing Date and that Vendor has complied with, in all material respects, each of its covenants in this Agreement. The representations and warranties of Vendor made as of the Closing Date in Vendor's certificate shall be deemed made as of the Closing Date with the same effect as the representations and warranties made by Vendor herein.

ARTICLE 7
COVENANTS OF PURCHASER

7.1 Closing

If each condition set forth at Section 10.1 is (i) performed or complied with, or (ii) waived by Purchaser, and if this Agreement is not terminated in accordance with Section 10.2 or 10.3, then Purchaser shall on, the Closing Date:

(a) execute and deliver to Vendor a certificate to the effect that each of Purchaser's representations and warranties in this Agreement (except as qualified in the certificate) is true and correct in all material respects as of each Closing Date as if made on each Closing Date and that Purchaser has complied with each of its covenants in this Agreement. The representations and warranties of Purchaser made as of each Closing Date in Purchaser's certificate shall be deemed made as of the each Closing Date with the same effect as the representations and warranties made by Purchaser herein;

(b) execute and deliver to Vendor all deeds of conveyance, bills of sale, assurances, transfers, assignments and documents required hereunder and any other documents necessary to purchase, accept the assignment of and accept the transfer of all of the Purchased Assets and to assume the Assumed Liabilities, to Vendor including, without limitation, the following documentation:

  (i) an assumption agreement in form reasonably satisfactory to the Parties evidencing the assumption by Purchaser of the Assumed Liabilities;

  (ii) assignment and assumption of the Licenses and contracts if, to the extent necessary, third-party consents have been obtained;

(c) deliver to the Vendor certified copies of resolutions of the board of directors and/or shareholders of Purchaser (in form and substance satisfactory to the Vendor's legal counsel, acting reasonably) authorizing and approving the purchase of the Purchased Assets by Purchaser and the entering into of this Agreement.

7.2 Post-Closing

Prior to redevelopment of or construction on any portion of the Real Property by the Purchaser or its agents and affiliates, the Purchaser shall be responsible for the conduct of all such environmental investigations, remediations and/or risk assessments as necessary to file Records of Site Condition ("**RSCs**") in the Ontario Environmental Site Registry (the "**Registry**") consistent with the proposed use(s) for each portion of the Real Property. The Purchaser shall ensure that such RSCs have been completed and filed on the Registry in a manner that provides the Vendor with any and all liability protections available with respect to RSCs under the *Environmental Protection Act* and related regulations.

ARTICLE 8
DUE DILIGENCE

8.1 Access for Due Diligence

Until September 30th, 2010 (the "**Inspection Period**"), Vendor will, upon reasonable notice, permit Purchaser, its legal counsel, accountants and other representatives, to have, for the purposes of inspection and due diligence, reasonable access during normal business hours to the Real Property and will furnish to Purchaser, its legal counsel, accountants and other representatives such information with respect to the Real Property as Purchaser may, from time to time, reasonably request. Notwithstanding the foregoing, the Parties hereto agree that, in the event the Purchaser has not received final reports from its environmental consultants in respect of the Real Property on or prior to September 30, 2010, the Purchaser shall have the right to extend the Inspection period by seventy-one (71) days or such other period of time as the Parties may mutually agree to (the "**Extended Inspection Period**"). Any inspection and due diligence performed in accordance with this Section 8.1 shall be performed at the risk and sole expense of Purchaser and in the presence of the Vendor shall include:

(a) inspection of all physical aspects of the Real Property, including all operating systems and structural components, to the extent located in the Real Property, and environmental conditions and liabilities in relation thereto and the Contracts;

(b) investigation of all zoning, code and governmental requirements, including Environmental and Safety Requirements, pertaining to the Real Property;

(c) review of existing environmental reports and studies pertaining to the Real Property in the control of Vendor;

(d) review of title information and existing surveys, if any, pertaining to the Real Property;

(e) review of copies of all construction and engineering documents, together with any modifications or amendments thereto pertaining to the Real Property; and

(f) Purchaser to indemnify Vendor from any claims related to inspectors.

Upon the Purchaser's written request to do so, Vendor shall use commercially reasonable efforts to collaborate with Purchaser in its redevelopment plans with the City of Kenora, including reasonably assisting with the filing of any applications for acquisition of unpatented land abutting the west shore of Cameron Bay as set out in the Plan attached as Schedule 8.1 herein; any zoning changes and development approvals and shall promptly execute any required documents to be submitted as part or in support of any such applications provided that such zoning change or approval shall only take effect as of the applicable Closing Date. Any and all expenses incurred by Vendor in assisting Purchaser as contemplated in this paragraph, shall be the responsibility of the Purchaser and the Purchaser shall reimburse the Vendor for all such expenses forthwith upon written request therefore by Vendor.

Vendor shall not be required to disclose any information to Purchaser where such disclosure is prohibited by applicable Law or by the terms of any agreement.

8.2 Performance and Results of Due Diligence

Purchaser shall, at its sole expense, perform all inspections or due diligence pursuant to Section 8.1 in a manner that is not disruptive to the operation of the Purchased Assets, and shall restore the Purchased Assets to their condition prior to such inspection or due diligence. At any time during the Inspection Period or the Extended Inspection Period, Purchaser shall have the right to waive any remaining balance of the Inspection Period or Extended Inspection Period, as applicable, and proceed with the Closing. If, on or before 4:00 p.m. on the day of the expiry of the Inspection Period or the Extended Inspection Period, as applicable, Purchaser sends a notice to Vendor in writing of its determination, in its sole and absolute discretion, acting reasonably, that the Purchased Assets are not satisfactory for purchase or operation by Purchaser as well as the reasons therefore ("**Non-Satisfaction Notice**") and if Vendor is unable or unwilling to remedy or satisfy such issues on or before Closing, this Agreement and the obligations of the Vendor and the Purchaser hereunder shall be at an end. If the Purchaser does not deliver the Non-Satisfaction Notice by 4:00 p.m. on the day of the expiry of the Inspection Period or the Extended Inspection Period, as applicable, Purchaser shall be deemed to be satisfied with its inspection and due diligence of the Purchased Assets and the Deposit shall become non refundable. If this Agreement is terminated in accordance with this Section 8.2, the Deposit shall be released from escrow and returned to Purchaser, with no further obligation or liability due or owing by either Party to the other except as may otherwise be expressly provided under this Agreement.

ARTICLE 9
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

9.1 Survival of Representations and Warranties of Vendor

The representations and warranties of Vendor contained in this Agreement, in the Schedules annexed hereto or in any certificate or other document delivered or given pursuant to this Agreement shall survive the completion of the transactions contemplated by this Agreement and, notwithstanding such completion or any investigation made by or on behalf of Purchaser, shall continue in full force and effect for the benefit of Purchaser for a period of twelve (12) months from Closing Date, except in respect of a claim based on fraud, which shall be of unlimited duration.

9.2 Survival of Representations and Warranties of Purchaser

The representations and warranties of Purchaser contained in this Agreement or in any certificate or other document delivered or given pursuant to this Agreement shall survive the completion of the transactions contemplated by this Agreement and, notwithstanding such completion or any investigation made by or on behalf of Vendor, shall continue in full force and effect for the benefit of Vendor for a period of twelve (12) months from each Closing Date, except for any representation and warranty in respect of which a claim based on fraud is made, which shall be of unlimited duration.

ARTICLE 10
CONDITIONS OF CLOSING

10.1 Conditions for the Benefit of Purchaser

The purchase of the Purchased Assets in accordance with the terms of this Agreement is subject to the following conditions, each of which is hereby declared to be for the exclusive benefit of Purchaser. Unless waived by Purchaser, each condition is to be performed or complied with in all respects at or prior to the Closing Date:

(a) **Truth of Representations and Warranties of Vendor.** The representations and warranties of Vendor contained in this Agreement shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the Closing Date as though made on such date.

(b) **Performance of Covenants by Vendor.** All of the covenants, obligations and agreements that Vendor is required to perform or to comply with pursuant to this Agreement at or prior to the Closing Date shall have been performed or complied with in all material respects at or prior to the Closing Date.

(c) **Deliverables.** The Vendor shall have delivered to the Purchaser, on or prior to Closing: (i) a copy of the issued and entered Court Order effecting a transfer of title free from all liens or encumbrances; (ii) the documents required to be delivered by the Vendor pursuant to Section 6.3(b); and (iii) such other certificates, instruments, agreements and documents required by this Agreement or as may be reasonably requested by the Purchaser and agreed to by the Vendor prior to the Closing Date, to carry out the intent and purposes of this Agreement.

If any of the conditions of this Section 10.1 has not been satisfied, or if satisfaction of any of the conditions of this Section 10.1 becomes impossible, at any time ten (10) business days prior to the Closing Date for reasons other than Purchaser's failure to comply with its obligations under this Agreement, then Purchaser may terminate this Agreement by notice to Vendor at any time prior to the Closing without further formality.

10.2 Conditions for the Benefit of Vendor

The sale of the Purchased Assets in accordance with the terms of this Agreement is subject to the following conditions, each of which is hereby declared to be for the exclusive benefit of Vendor. Unless waived by Vendor, each condition is to be performed or complied with in all respects at or prior to the Closing Date unless otherwise provided:

(a) **Truth of Representations and Warranties of Purchaser.** The representations and warranties of Purchaser contained in this Agreement or in any certificate or other document delivered or given pursuant to this Agreement (considered individually and collectively), shall have been accurate in all material aspects as of the date of this Agreement, and shall be true and correct in all material respects as of the Closing Date as though made on such date.

(b) **Performance of Covenants by Purchaser.** All of the covenants, obligations and agreements that Purchaser is required to perform or to comply with pursuant to this Agreement at or prior to the Closing Date (considered individually and collectively) shall have been performed or complied with in all respects at or prior to such Closing Date.

(c) **Litigation.** There shall be no actions, claims, investigations, arbitrations or other proceedings (whether or not on behalf of Purchaser) pending or threatened to restrain, enjoin or invalidate any transaction contemplated by this Agreement.

(d) **Consents.** There shall have been obtained from all appropriate Persons all approvals, consents and assurances, in form and substance reasonably satisfactory to Vendor's legal counsel, necessary in order to permit the transactions contemplated herein to be completed.

(e) **License and Governmental Approvals.** There shall have been obtained from all appropriate Governmental Authorities and third parties an agreement or other similar assurance that all Licenses related to the Purchased Assets will be transferred, issued or re-issued to Purchaser prior to Closing.

(f) **No prohibition.** No preliminary or permanent injunction, decree, ruling or order issued by a Governmental Authority, and no statute, rule, regulation, or order which restrains, enjoins, prohibits or otherwise makes illegal the consummation by the Vendor of the transactions contemplated by this Agreement shall be in effect.

(g) **Deliverables.** The Purchaser shall have delivered to the Vendor, on or prior to Closing: (i) the Purchase Price, (ii) the documents required to be delivered by the Purchaser pursuant to Section7.1(b); (iii) copies of the Purchaser's articles of incorporation and by-laws and resolutions of the board of directors and/or shareholders approving the transactions contemplated by this Agreement, certified by a senior officer of the Purchaser as of the Closing Date; (iv) certificates of status, compliance, good standing or like certificate with respect to the Purchaser, issued by the appropriate Governmental Authority, and dated within ten (10) days before the Closing Date; and (v) such other certificates, instruments, agreements and documents required by this Agreement or as may be reasonably requested by the Vendor and agreed to by the Purchaser prior to the Closing Date, to carry out the intent and purposes of this Agreement.

(h) The Court Order shall have been issued and entered, which court order shall not have been stayed, appealed, varied or vacated.

10.3 <u>Effects of Termination</u>

The Parties acknowledge that this Agreement may only be terminated (i) by Vendor, if any of the conditions set out in Section 10.2 are not satisfied, and (ii) by Purchaser, if any of the conditions set out in Section 10.2 are not satisfied, pursuant to Article 5. If the Agreement is terminated pursuant to and in accordance with any of the foregoing provisions, then all further obligations of the Parties under this Agreement will terminate, except that the obligations in Sections 14.2 (Announcements), 14.5 (Notices), 14.6 (Expenses) and 14.8 (Governing Law) will survive. Other than to enforce the rights under the provisions that survive termination set forth in this Section 10.3,the Parties shall have no right to pursue any other legal remedies should this Agreement be terminated in accordance with its terms.

If any of the conditions of this Section 10.3, has not been satisfied, or if satisfaction of any of the conditions of this Section 10.3 becomes impossible, at any time before 5:00 pm on the business day prior to the Closing Date, for reasons other than Vendor's failure to comply with its obligations under this Agreement, then Vendor may terminate this Agreement by notice to Purchaser at any time prior to Closing without further formality.

If this Agreement is terminated pursuant to Sections 8.2, 10.1, 10.2 or 10.3, then all further obligations of the Parties under this Agreement will terminate, except that the obligations in Sections 11.7 (Survival of Indemnification), 14.5 (Notices), 14.6 (Expenses) and 14.8 (Governing Law) will survive. Notwithstanding the foregoing, if this Agreement is terminated by a Party because of the other Party's failure to comply with its covenants under this Agreement, then the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

10.4 Intentionally Deleted

ARTICLE 11
INDEMNIFICATION

11.1 Indemnification by Purchaser

Purchaser shall indemnify and hold Vendor harmless from and against any claims, demands, actions, causes of action, judgments, damages, losses (which shall include any diminution in value), liabilities, costs or expenses (including interest, fines, penalties and reasonable fees and disbursements of attorneys, consultants and experts (collectively, the "**Losses**") which may be made against Vendor or which it may suffer or incur as a result of, arising out of or relating to:

(a) any violation, contravention or breach of any covenant, agreement or obligation of Purchaser under or pursuant to this Agreement, including the obligation of Purchaser to assume and discharge on a timely basis the Assumed Liabilities;

(b) any incorrectness in, or breach of, any representation or warranty made by Purchaser in Section 5.2, the Schedules annexed hereto or in any certificate or other document delivered or given pursuant to this Agreement;

(c) the breach of any covenant or obligation of the Purchaser contained in this Agreement;

(d) the Assumed Liabilities; and

(e) Hazardous Materials, human health, safety matters or the Environment in, on, under, from, at or relating to the Real Property or other Purchased Assets.

11.2 Obligation to Reimburse

The Purchaser shall reimburse, on demand, to the Vendor the amount of any Losses suffered or incurred by the Vendor, the whole as of the date that the Vendor incurs any such Losses, together with interest thereon from such date until payment in full at the rate per annum equal to five percent (5%).

11.3 Notification

Promptly upon obtaining knowledge thereof, the Vendor shall notify the Purchaser of any cause which the Vendor has determined has given or could give rise to indemnification under this Article XI. The omission to so notify the Purchaser shall not relieve the Purchaser from any duty to indemnify and hold harmless which otherwise might exist with respect to such cause unless (and only to that extent) the omission to notify materially prejudices the ability of the Purchaser to exercise its right to defend a Third Party Claim provided in this Article 11.

11.4 Defence of Third Party Claim

If any legal proceeding shall be instituted or any claim or demand shall be asserted by a third party against the Vendor (each a **"Third Party Claim"**), then the Purchaser shall have the right, after receipt of the Vendor's notice under Section 11.4 and upon giving notice to the Vendor within thirty (30) calendar days of such receipt, to defend the Third Party Claim at its own cost and expense with counsel of its own selection, provided that:

(a) the Vendor shall at all times have the right to fully participate in the defence at its own expense;

(b) the Third Party Claim seeks only monetary damages and does not seek any injunctive relief against the Vendor; and

(c) legal counsel chosen by the Purchaser is satisfactory to the Vendor, acting reasonably.

Amounts payable by the Purchaser pursuant to a Third Party Claim shall be paid in accordance with the terms of the settlement or, the judgment, as applicable, but in any event prior to the expiry of any delay for a judgment to become executory.

11.5 No Compromise

The Purchaser shall not compromise and settle or cause a compromise and settlement of any Third Party Claim without the prior written consent of the Vendor, unless:

(a) the terms of the compromise and settlement require only the payment of money and do not require the Vendor to admit any wrongdoing or take or refrain from taking any action; and

(b) the Vendor receives, as part of the compromise and settlement, a legally binding and enforceable unconditional satisfaction or release, which is in form and substance satisfactory to the Vendor, acting reasonably, from any and all obligations or liabilities it may have with respect to the Third Party Claim.

11.6 Failure to Defend

If the Purchaser fails:

(a) within thirty (30) calendar days from receipt of the notice of a Third Party Claim to give notice of its intention to defend the Third Party Claim in accordance with Section 11.5; or

(b) to comply at any time with Section 11.4, then the Purchaser shall be deemed to have waived its right to defend the Third Party Claim and the Vendor shall have the right (but not the obligation) to undertake the defence of the Third Party Claim and to compromise and settle the Third Party Claim on behalf, for the account and at the risk and expense, of the Purchaser.

11.7 Survival of Indemnification

The obligation of indemnification set forth herein shall survive the completion of the transactions contemplated in this Agreement.

11.8 Remedies

In addition to the remedies set forth in this Article 11 and any other recourses specifically referred to in this Agreement, the Parties expressly acknowledge the Vendor's right to seek specific performance or any other extraordinary remedy in a court of competent jurisdiction for breaches which give rise to such extraordinary remedies.

The Parties shall not be liable for any special, indirect, consequential, exemplary, punitive or aggravated damages, regardless of the form of action, whether based on statute or arising in contract, indemnity, warranty, strict liability or tort (including negligence), and regardless of whether such party has reason to know or in fact knows of the possibility of such damages.

ARTICLE 12
CLOSING

12.1 Date, Time and Place of Closing

The Closing shall take place at the offices of Hook, Seller & Lundin, LLP, on the tenth (10th) business day (in the City of Kenora) following the date on which all of the conditions in Article 10 have been satisfied or waived and earlier the authorizing Court Order, if necessary, has been obtained (unless the Agreement has been terminated in accordance with the terms of this Agreement) (the "**Closing Date**") commencing at the hour of 10:00 a.m. (the "**Time of Closing**"), or at such other place, on such other date and at such other time as may be agreed by the Parties.

12.2 Planning Act

This Agreement shall be effective to create interest in the Real Property for the Purchaser only if Part VI of the *Planning Act* (Ontario) is complied with by the Vendor prior to the Closing.

ARTICLE 13
POST-CLOSING

13.1 Intentionally Deleted

ARTICLE 14
MISCELLANEOUS

14.1 Risk of Loss

Except as otherwise provided for in this Agreement, from the date hereof up to the Time of Closing on the Closing Date, the Purchased Assets shall be and shall remain at the risk of Vendor. If, prior to the Time of Closing, all or any material portion of the Purchased Assets are destroyed or damaged by fire or other casualty or shall be appropriated, expropriated or seized by any Governmental Authority, then Purchaser shall have the option on or prior to the Time of Closing:

(a) to terminate this Agreement forthwith upon written notice to Vendor to such effect; or

(b) to proceed with the Closing without reduction of the Purchase Price, in which case all proceeds of insurance or compensation for expropriation or seizure (up to the amount of the Purchase Price) shall be remitted to Purchaser and any such amounts not paid by the Closing Date shall be remitted by Vendor to Purchaser, after the Closing Date forthwith upon receipt thereof by the Vendor.

14.2 Announcements

Unless otherwise determined by a court of competent jurisdiction, no Party may issue or permit any Affiliate to issue any press release, public announcement, publicity or other disclosure with respect to the transactions contemplated by this Agreement without the prior written consent of the other Party and each Party shall keep this Agreement strictly confidential and make no disclosure thereof to any Person except the Party's advisors and lenders and except as may be required in connection with the consummation of the transactions contemplated hereby or as may be required by Law, without the prior written consent of the other Party. Notwithstanding the foregoing, upon execution of this Agreement, the Parties may make a joint announcement of the transaction of purchase and sale contemplated herein, in a form and content agreed to by the Parties and the Vendor may make any announcement that it deems necessary in order to comply with any Law, including without limitation, any securities Laws and stock exchange rules, provided that in the case of any press release, the Vendor shall first provide the Purchaser with a copy thereof and shall, acting reasonably, consider Purchaser's comments before issuing the press release.

14.3 Further Assurances

Each Party upon the request of the other, before or after the Closing, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.

14.4 Successors in Interest

This Agreement and the provisions hereof shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns including, for greater certainty, any successor to or acquirer of a majority interest in, or the whole or a substantial part of the business of, either Party. Vendor may assign this Agreement or any of its rights and obligations hereunder to one of its Affiliates provided, however, that such assignment shall not relieve Vendor of the obligation to be jointly and severally liable with such assignee for all of its obligations hereunder. Purchaser (i) may assign this Agreement and all of Purchaser's rights and obligations hereunder to one of its Affiliates or (ii) may designate one of its Affiliates as Purchaser on or before each of the Closing, provided, however, that such assignment or designation shall not relieve Purchaser of the obligation to be jointly and severally liable with such assignee or designated Purchaser for all of its obligations hereunder. Purchaser shall also be entitled to nominate any other person or corporation to take title to the Real Property or any portion thereof at on Closing, provided that (i) it obtains Vendors' prior written consent (which shall not be unreasonably withheld) and (ii) said nominee agrees in writing to be bound by all of the Purchaser's obligations, both before and after the Closing, as are set out in this Agreement or any document delivered in connection with the Closing.

14.5 Notices

Any notice, consent, authorization, direction or other communication required or permitted to be given hereunder shall be in writing and shall be delivered either by personal delivery or by telecopier or similar telecommunications device and addressed as follows:

(a) in the case of Vendor, to it at:
ABITIBI-CONSOLIDATED COMPANY OF CANADA
1155 Metcalfe Street
Suite 800
Montréal, Québec
H3B 5H2
Attention: Legal Department
Telecopier: (514) 394-3644

(b) in the case of Purchaser, to it at:
5901058 MANITOBA LTD.
570 Portage Avenue
Winnipeg, Manitoba
R3C 0G4
Attention: Marcel Chartier
(Commercial Real Estate Broker, CEO of Chartier & Associates Inc. c.o.b. Richard Ellis Manitoba)
Telecopier: 204-957-2783

Any notice, consent, authorization, direction or other communication delivered as aforesaid shall be deemed to have been effectively delivered and received, if sent by telecopier or similar telecommunications device on the date next following receipt of such transmission or, if by personal delivery, to have been delivered and received on the date of such delivery, provided, however, that if such date is not a business day in the jurisdiction of receipt, then it shall be deemed to have been delivered and received on the business day next following such delivery. Either Party may change its address for service by notice delivered as aforesaid.

14.6 Expenses

Except as otherwise provided for in this Agreement, each Party shall bear and pay all costs, expenses and fees (including legal counsel, investment banking, brokerage and accounting fees and disbursements) incurred by it in connection with the preparation, execution and consummation of this Agreement and the transactions contemplated hereunder.

14.7 Severability

Any Article, Section or other subdivision of this Agreement or any other provision of this Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed here from and shall be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof, which provisions shall (i) be severed from any illegal, invalid or unenforceable Article, Section or other subdivision of this Agreement or any other provision of this Agreement, and (ii) otherwise remain in full force and effect.

14.8 Governing Law

This Agreement shall be governed by and interpreted and construed in accordance with the Laws presently in force in the Province of Ontario without reference to the conflict of laws rules.

14.9 Entire Agreement

This Agreement, including the Schedules and Exhibits, constitutes the entire Agreement between the Parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings, negotiations and discussions of the Parties

14.10 Interpretation; Construction

(a) When a reference is made in this Agreement to Articles, Sections or other subdivisions of this Agreement, such reference shall be to an Article, Section or other subdivision of this Agreement unless otherwise indicated and "herein", "hereof", "hereto", "hereunder" and similar expressions shall mean and refer to this Agreement and not to any particular Article, Section or other subdivision;

(b) This Agreement shall override the schedules annexed hereto to the extent of any inconsistency;

(c) The words "include", "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation";

(d) Any reference in this Agreement to any gender shall include both genders and the neuter, and words herein importing the singular number only shall include the plural and vice versa;

(e) The table of contents and Articles, Sections and other subdivisions used herein are inserted for reference purposes only and shall not affect the interpretation of this Agreement;

(f) All of the dollar amounts mentioned in this Agreement or in the Schedules and Exhibits annexed hereto shall be in Canadian funds, unless otherwise specifically denominated; and

(g) All Canadian accounting terms not specifically defined in this Agreement shall be interpreted in accordance with generally accepted accounting principles.

14.11 Amendment

No amendment to this Agreement shall be binding unless expressly provided in an instrument duly executed by the Parties.

14.12 Waiver

No waiver, whether by conduct or otherwise, of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in an instrument duly executed by the Parties.

14.13 No Third Party Beneficiaries

This Agreement and any agreement entered into pursuant to this Agreement shall not be for the benefit of, or create any right or cause of action in or on behalf of, any Person other than the Parties or the parties to such other agreements, and no Person, other than the Parties or the parties to such other agreements, shall be entitled to rely on the provisions hereof or any agreement entered into pursuant hereto in any action, proceeding, hearing or other forum.

14.14 <u>Counterparts</u>

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and at the place first above mentioned.

Abitibi-Consolidated Company of Canada

Per:______________________________
Name: JACQUES VACHON
Title: VICE-PRESIDENT AND SECRETARY

5901058 Manitoba Ltd.

Per:______________________________
Name: Marcel Chartier
Title: President

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date and at the place first above mentioned.

Abitibi-Consolidated Company of Canada

Per:______________________________
Name:
Title:

5901058 Manitoba Ltd.

Per: Marcel Chartier
Name: Marcel Chartier
Title: President

MC

INTERVENTION

For valuable consideration, the receipt and adequacy of which is hereby acknowledged, Abitibi-Consolidated Inc. ("**ACI**") hereby intervenes into this Agreement and (i) declares that it holds registered title to the Real Property as agent for the benefit and on behalf of Vendor, (ii) agrees to transfer and deliver to Purchaser, on each Closing Date, all of its right, title and interest in and to the Real Property, (iii) unconditionally and irrevocably guarantees to and in favour of Vendor (a) the truth of the representations and warranties of Vendor contained in this Agreement, in any Schedule or in any certificate or other document delivered or given pursuant to this Agreement, and (b) the timely performance and fulfillment by Vendor of its obligations and covenants under this Agreement. ACI hereby acknowledges and agrees that it is jointly and severally liable with Vendor in respect of this guarantee.

ACI acknowledges that Purchaser is relying on this guarantee in connection with the sale of the Purchased Assets under this Agreement and that Purchaser would not have entered into this Agreement without such intervention.

ABITIBI-CONSOLIDATED INC.

Per: ______________________
Name: ALLEN DEA
Title: VICE PRESIDENT AND SECRETARY

<u>Schedule 1.1(v)</u>
Real Property

Part I

Cameron Bay Area:

PIN 42161-0498
PIN 42161-0568
PIN 42161-0400

Intended to include Transfer of Licence of Occupation #LO 456 and all water lots

Part II

Clarifier Area:

PIN 42163-0260
PIN 42163-0255
PIN 42179-0077
PIN 42179-0093
PIN 42179-0094
PIN 42179-0095
PIN 42179-0115

Part III

Includes the Recycle Building and Warehouse, Training Building and Storage building located on the afore-mentioned Real Property

Mill Site Area

PIN 42170-0246
PIN 42170-0244
PIN 42170-0163

East Mill Area:

PIN 42169-0164
PIN 42169-0237
PIN 42169-0160
PIN 42169-0165
PIN 42169-0159
PIN 42169-0163

Part IV

Veterans Drive Area:

PIN 42179-0425
PIN 42179-0440
PIN 42179-0434
PIN 42179-0441

Where applicable, water lots and mineral rights associated with aforementioned Real Property are to be included and transacted, to the Buyer at appropriate Closing(s).

Schedule 2.9
Right of First Refusal

SUPERIOR COURT
Commercial Division
(Sitting as a court designated pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., c. C-36, as amended)

N°. 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

In the matter of Plan of Compromise or Arrangement of:

ABITIBIBOWATER INC. *& al*
Petitioners
- and -
ERNST & YOUNG INC.
Monitor

BS0350 n/dos.: 041053-1170

EXHIBIT R-2
(ASSET PURCHASE AGREEMENT)

ORIGINAL

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LIST OF EXHIBITS

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