SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

No: 500-11-036133-094

DATE: **AUGUST 4, 2009**

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

JUDGMENT ON MOTION FOR THE ISSUANCE OF AN ORDER AUTHORIZING THE SALE OF CERTAIN ASSETS OF THE PETITIONERS (#191)

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[1] The Petitioners present a Motion for an Order Authorizing the Sale of Certain Assets of the Petitioners (the "Motion"), that is the Quebec Timberland Assets described in the Motion. The expected consideration of the sale is CDN$53 million.

[2] Without opposing the sale itself, the Senior Secured Noteholders contest the use of proceeds expected from the sale. The McBurney Corporation, McBurney Power Limited and MBB Power Services Inc. (collectively, the "Lien Holder") support the Limited Contestation filed by the Senior Secured Noteholders.

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[3] The other stakeholders present, as well as the Monitor, support the Motion.

[4] The opposition appears rooted in the Petitioners' projected use of the Timberland Assets proceeds to provide liquidity for operating purposes. The Senior Secured Noteholders request an Order from the Court providing that the proceeds should rather be paid to the ACI DIP Lender as a prepayment of the ACI DIP loan, with the balance, if any, being retained by the Monitor in trust pending further order from the Court.

[5] The Court considers that the projected sale should be approved and the Limited Contestation, dismissed.

[6] On the one hand, the Twelfth Report of the Monitor outlines in details the thorough sales process undertaken by the Petitioners in this respect. This indicates that more than reasonable efforts have been undertaken for many months to properly and openly canvass the market so as to obtain the best available deal under the circumstances.

[7] As well, this Monitor's Report explains why the agreements contemplated are fair and reasonable and on what basis the price negotiated is indeed comparable to previous transactions of similar size and features. The explanations given support the Monitor's assertion that the total purchase price of CDN$53 million is commercially justified under the circumstances.

[8] The Timberland Assets at issue represent less than 1% of the total timber sourced by the Petitioners in Quebec. They are not required to continue the operations of the Petitioners and are not vital to successfully restructure their business. In the end, the sale will provide the Petitioners with additional and well-needed liquidity.

[9] On the other hand, the Court considers that there is no valid reason to deal with the proceeds in the manner proposed by the Senior Secured Noteholders.

[10] First, as acknowledged in their Contestation, they do not have registered charges against the Timberland Assets.

[11] Second, they have now withdrawn their initial request to use the proceeds to prepay the ACI DIP Lender.

[12] In fact, during the negotiations relating to the ACI DIP loan, the proceeds from the sale of any Timberland Assets were specifically carved out of any prepayment obligations.

[13] In addition, any repayment of the loan permanently reduces the DIP availability. In other words, once a sum is repaid, that sum may not be re-borrowed. Each repayment therefore reduces the amount the Petitioners may borrow under the DIP.

[14] Third and finally, given that the restructuring of the Petitioners' business is likely to extend over several months, the proceeds from the Timberland Assets sales should be available for operating purposes, if need be. It is in the interest of all creditors for the

Petitioners to avoid, to the extent possible, an additional DIP, which would entail the payment of interest and fees to the detriment of the Petitioners and their existing creditors.

[15] As explained by the Monitor at the hearing, it is moreover important for the Petitioners to maintain sufficient liquidity so as to avoid being in default under the existing securitization program agreements.

[16] Accordingly, the Court accepts the Monitor's assessment of the situation. If the Timberland Assets proceeds cannot be used to provide liquidity for operating purposes, the Petitioners will lose the benefit of the margin of comfort which excess liquidity provides.

[17] The Petitioners envisage to use the Timberland Assets proceeds solely for their operating expenses. Use of the funds will therefore be subject to the continued oversight of the Monitor and to the existing procedures provided for in the prior Orders of this Court, including extensive review of detailed cash flow information by the myriad of financial advisors retained by the various stakeholders in this matter.

[18] This provides an adequate framework to protect the interests of all stakeholders under the circumstances.

FOR THESE REASONS, THE COURT:

[1] **GRANTS** the Motion;

[2] **EXEMPTS** the Petitioners from having to serve the Motion and from any notice or delay of presentation;

[3] **ORDERS** that the terms and conditions of the following are hereby approved:

(i) a certain Purchase and Sale Agreement - Mauricie Timberlands Assets in respect of timberland assets located in the Mauricie region (the "Mauricie Assets") by and among Abitibi-Consolidated Inc. ("ACI") and Abitibi-Consolidated Company of Canada ("ACCC"), as vendors, and Solifor Mauricie, société en commandite ("Solifor Mauricie") as purchaser (the "Mauricie Agreement");

(ii) a certain Purchase and Sale Agreement - Charlevoix Timberland Assets in respect of timberland assets in the region of Charlevoix/Saguenay (the "Charlevoix Assets"), by and among, ACI and ACCC, as vendors, and Solifor Charlevoix-Saguenay, Société en Commandite ("Solifor Charlevoix") as purchaser (the "Charlevoix Agreement"); and

(iii) a certain Purchase and Sale Agreement - Côte-Nord Timberland Assets in respect of timberland assets located in the Côte-Nord region (the "Côte-Nord Assets"), by and between ACCC as vendor and 3908666 Canada Inc. ("390866") as purchaser (the "Côte-Nord Agreement");

(Solifor Mauricie, Solifor Charlevoix and 390866 being collectively referred to as the "Purchasers" and the Mauricie Agreement, the Charlevoix Agreement and the Côte-Nord Agreement being collectively referred to as the "Agreements");

[4] **ORDERS AND DECLARES** that Petitioners are hereby authorized to implement and complete the transactions contemplated in the Agreements (the "Transactions"), with such alterations, amendments, deletions or additions as the parties thereto may agree to with the consent of the Monitor, and to perform the obligations contained in the Agreements;

[5] **ORDERS** that in completing the Transactions, subject to the terms and conditions of the Agreements, the Petitioners are hereby authorized:

(a) to execute the Agreements and to execute and deliver any documents and assurances governing or giving effect to the Agreements as the Petitioners, in their discretion, may deem to be reasonably necessary or advisable to conclude the Transactions, including the execution of such deeds, contracts or documents, as may be contemplated in the Agreements and all such deeds, contracts or documents are hereby ratified, approved and confirmed; and

(b) to take such steps as are, in the opinion of the Petitioners, necessary or incidental to the performance of their obligations pursuant to the Agreements;

[6] **ORDERS AND DECLARES** that this Order constitutes the only authorization required by the Petitioners to proceed with the Transactions and that no shareholder or regulatory approval are required in connection with the Transactions contemplated in the Agreements;

[7] **ORDERS AND DECLARES** that the leave be reserved to the Petitioners or the Purchasers to apply for a vesting order substantially in the form of the draft Vesting Order attached as Exhibit P-5 upon the Monitor filing with the Court a Certificate (the "Monitor's Certificate") substantially in the form of Exhibit P-4 certifying that the Agreement or Agreements as the case may be have been completed subject only to the obtaining of a Vesting Order;

[8] **ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate;

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

[10] **WITHOUT COSTS.**

COPIE CONFORME

Elaine C-Nevo

Greffier adjoint

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Date of hearing August 4, 2009

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.

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