

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

ABITIBIBOWATER INC., *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 09-11296(KJC)
)
) (Jointly Administered)
)

FINAL ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363, 364 AND 507
(1) APPROVING POSTPETITION FINANCING, (2) AUTHORIZING USE OF CASH
COLLATERAL, (3) GRANTING LIENS AND PROVIDING SUPERPRIORITY
ADMINISTRATIVE EXPENSE STATUS, (4) GRANTING ADEQUATE PROTECTION,
AND (5) MODIFYING THE AUTOMATIC STAY
(Conformed Version of Order [Docket No. 407])²

THIS MATTER having come before the Bankruptcy Court upon the motion (the “**DIP Motion**”) by AbitibiBowater Inc. (“**Parent**”), Bowater Incorporated (“**Bowater**”, together with Parent, collectively, the “**US Borrowers**”), Bowater Newsprint South LLC and all the direct and indirect domestic subsidiaries of Bowater and Bowater Newsprint South LLC, in each case, that is a

¹ The debtors-in-possession in these cases, along with the last four digits of each Debtor’s federal or Canadian tax identification number, are: AbitibiBowater Inc. (6415), AbitibiBowater US Holding 1 Corp. (6050), AbitibiBowater US Holding LLC (N/A), AbitibiBowater Canada Inc. (3225), Abitibi-Consolidated Alabama Corporation (4396), Abitibi-Consolidated Corporation (9050), Abitibi-Consolidated Finance LP (4528), Abitibi Consolidated Sales Corporation (7144), Alabama River Newsprint Company (7247), Augusta Woodlands, LLC (0999), Bowater Alabama LLC (7106), Bowater America Inc. (8645), Bowater Canada Finance Corporation (8810), Bowater Canadian Forest Products Inc. (2010), Bowater Canadian Holdings Incorporated (6828), Bowater Canadian Limited (7373), Bowater Finance Company Inc. (1715), Bowater Finance II LLC (7886), Bowater Incorporated (1803), Bowater LaHave Corporation (5722), Bowater Maritimes Inc. (5684), Bowater Newsprint South LLC (1947), Bowater Newsprint South Operations LLC (0186), Bowater Nuway Inc. (8073), Bowater Nuway Mid-States Inc. (8290), Bowater South American Holdings Incorporated (N/A), Bowater Ventures Inc. (8343), Catawba Property Holdings, LLC (N/A), Coosa Pines Golf Club Holdings LLC (8702), Donohue Corp. (9051), Lake Superior Forest Products Inc. (9305) and Tenex Data Inc. (5913). The corporate headquarters of the debtors-in-possession is located at, and the mailing address for each debtor-in-possession is, 1155 Metcalfe Street, Suite 800, Montreal, Quebec H3B 5H2, Canada.

² Capitalized terms used herein but not otherwise defined shall have the meaning set forth in the DIP Loan Agreement.

debtor-in-possession in the above-captioned chapter 11 cases (the “**Cases**”) as guarantors of the obligations of the US Borrowers (together with any domestic subsidiaries of Bowater that subsequently commence jointly administered chapter 11 cases and become guarantors of the obligations of the US Borrowers and Bowater Canada, collectively, the “**US Guarantors**” and together with the US Borrowers, collectively, the “**US Debtors**”), and Bowater Canadian Forest Products Inc., as a borrower (“**Bowater Canada**”) under the DIP Loan Agreement (as defined herein), and the direct and indirect Canadian subsidiaries of Bowater that are debtors-in-possession in the Cases and guarantors of the obligations of Bowater Canada (together with any Canadian subsidiaries of Bowater that subsequently commence jointly administered chapter 11 cases and become guarantors of the obligations of Bowater Canada, collectively, the “**Canadian Guarantors**”, together with Bowater Canada, collectively the “**Canadian Debtors**” and together with the US Debtors, collectively the “**Bowater Debtors**”),³ seeking entry of an order (this “**Order**”) authorizing the Bowater Debtors to:

- (a) obtain credit and incur debt, pursuant to sections 363, 364(c) and 364(d)(1) of chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”):
 - (i) upon entry of the Interim Order approving the relief requested substantially in the form filed with the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) on April 16, 2009 in the DIP Motion, in the form of a term loan in the aggregate principal amount of up to USD 360,000,000 (consisting of a USD

³ For the avoidance of doubt, the reference to Bowater Debtors herein do not include any the following entities (or any existing or subsequently formed direct or indirect subsidiary thereof): AbitibiBowater US Holding 1 Corp., AbitibiBowater US Holding LLC, AbitibiBowater Canada Inc., Abitibi-Consolidated Alabama Corporation, Abitibi-Consolidated Corporation, Abitibi-Consolidated Finance LP, Abitibi Consolidated Sales Corporation, Alabama River Newsprint Company, Augusta Woodlands, LLC, Donohue Corp. or Tenex Data Inc. The Canadian Guarantors are Bowater Canadian Holdings Incorporated, Bowater Canada Finance Limited, Bowater Shelburne Corporation and Bowater LaHave Corporation.

166,000,000 term loan for borrowings of the US Borrowers and a USD 40,000,000 term loan for borrowings of Bowater Canada (the “**Initial Loan**”), plus, subject to further approval from the Bankruptcy Court only after notice and a further hearing, an incremental USD 154,000,000 which may be advanced after the date of this Order, (the “**Incremental Facility**” and, together with the Initial Loan, the “**Term Loan**”), with all borrowings of the US Borrowers guaranteed by the US Guarantors and all borrowings by Bowater Canada guaranteed by all of the Bowater Debtors on terms and conditions more fully described herein, secured by liens (as defined in section 101(37) of the Bankruptcy Code and referred to herein as “**Liens**”) on property of the estates pursuant to sections 364(c)(2), 364(c)(3) of the Bankruptcy Code and, solely with respect to the lien of record on that certain parcel of real property referenced in the DIP Loan Agreement as the “**Catawba Acre**” (the “**Catawba Acre Lien**”), section 364(d) of the Bankruptcy Code, and pursuant to Rule 4001(c) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and the Local Bankruptcy Rules for the District of Delaware (the “**Local Rules**”), including Local Rule 4001-2, on the terms and conditions set forth in this Order; and

(ii) upon entry of a further order of the Bankruptcy Court, in the form of an asset-backed revolving credit facility (an “**ABL Facility**”) in an aggregate principal amount not to exceed USD 600,000,000 minus the outstanding principal amount of the Term Loans at such time, as defined below, at any time, on terms reasonably acceptable to the Required Lenders, and subject to intercreditor arrangements on terms acceptable to the Initial Lenders, the proceeds of which are to be used only after notice and a further hearing, first, to refinance the obligations under the Prepetition Loan Documents, as defined below (the “**Prepetition Facilities**”), and, after the Prepetition Facilities have been paid in full, for working capital and general corporate purposes;

(b) establish a financing arrangement consisting of the Term Loan and, upon entry of an order of the Bankruptcy Court approving the ABL Facility and with the consent of the Initial Lenders under the Term Loan, the ABL Facility (collectively, the **“DIP Facility”**) pursuant to that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement, dated as of April 21, 2009, as amended by Amendment No. 1 (**“Amendment No. 1”**) filed with the Bankruptcy Court on June 3, 2009 (as may be further amended, supplemented or otherwise modified from time to time the **“DIP Loan Agreement”**) among Fairfax Financial Holdings Ltd. and Avenue Investments, L.P., as Initial Lenders (in such capacity and, together with the other financial institutions from time to time party thereto, collectively, the **“DIP Lenders”**), Law Debenture Trust Company of New York, as administrative agent (in such capacity, the **“DIP Agent”**) and Law Debenture Trust Company of New York, as collateral agent (in such capacity, the **“DIP Collateral Agent”** and, together with the DIP Agent, the **“DIP Agents”**), to incur the **“Obligations”** under the DIP Loan Agreement (as provided for, and defined in, the DIP Loan Agreement, the **“DIP Obligations”**);

(c) authorize the Bowater Debtors to use the proceeds of the DIP Facility in a manner consistent with the DIP Loan Agreement and use Cash Collateral for (a) working capital; (b) other general corporate purposes of the Bowater Debtors; (c) payment of any related transaction costs, fees and expenses; (d) the payment of Adequate Protection Obligations (as defined below); and (e) the costs associated with administration of these Cases;

(d) with respect to the DIP Obligations of the Bowater Debtors, grant the DIP Collateral Agent for the ratable benefit of the DIP Lenders, Liens upon the property of the US Debtors as provided in and as contemplated by the DIP Loan Agreement and the Collateral Documents (as defined in the DIP Loan Agreement; the DIP Loan Agreement, the Collateral

Documents and all such instruments and documents as may be executed and delivered in connection therewith or which relate thereto, and as each may be amended, supplemented, or otherwise modified from time to time, collectively, the “**DIP Loan Documents**”), as supplemented by this Order and, pursuant to section 364(c)(1) of the Bankruptcy Code, an allowed Superpriority Claim payable from and having recourse to all prepetition and postpetition property of the estates of the US Debtors, as provided herein;

(e) with respect to the DIP Obligations of the Canadian Debtors, grant the DIP Collateral Agent, for the ratable benefit of the DIP Lenders, Liens upon the property of the Canadian Debtors as provided in and as contemplated by the DIP Loan Documents, as supplemented by this Order, and, pursuant to section 364(c)(1) of the Bankruptcy Code, an allowed Superpriority Claim payable from and having recourse to all prepetition and postpetition property of the estates of the Canadian Debtors, as provided herein;

(f) authorize the Bowater Debtors to use cash collateral (including cash maintained in deposit and securities accounts subject to prepetition control agreements) and other collateral that is subject to prepetition liens under the Prepetition Facilities pursuant to sections 363(c) and 363(e) of the Bankruptcy Code and Bankruptcy Rule 4001(b) and Local Rule 4001-2, on the terms and conditions set forth in this Order;

(g) authorize the US Debtors to provide adequate protection to Wachovia Bank, National Association as agent (the “**US Prepetition Agent**”) under, and to the lenders party to (and any lender or any affiliate thereof, who entered into a cash management arrangement and/or hedging obligations, the “**US Prepetition Lenders**” and together with the US Prepetition Agent, the “**US Prepetition Lienholders**”), that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that

certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of June 30, 2008, that certain Seventh Amendment and Waiver dated as of August 7, 2008, that certain Eighth Amendment and Waiver dated as of November 12, 2008 and that certain Ninth Amendment and Consent dated as of February 27, 2009; and as further modified by letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009 and as otherwise modified as of the date hereof (the “**US Prepetition Credit Agreement**”), among Bowater, Bowater Alabama LLC, Bowater Newsprint South LLC and Bowater Newsprint South Operations LLC (collectively, the “**US Prepetition Borrowers**”), the guarantors named therein (the “**US Prepetition Guarantors**”), the US Prepetition Lienholders, and all collateral, security and ancillary documents executed in connection therewith or which relate thereto (collectively, the “**US Prepetition Loan Documents**”), for any diminution in value of their interests in the US Prepetition Collateral (as defined in paragraph L hereof), including the Cash Collateral, resulting from (i) the Bowater Debtors’ use of the Cash Collateral, (ii) the use, sale or lease of the Prepetition Collateral other than the Cash Collateral and (iii) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code;

(h) authorize the Bowater Debtors to provide adequate protection to The Bank of Nova Scotia as administrative agent (the “**Canadian Prepetition Agent**,” together with the US Prepetition Agent, the “**Prepetition Agents**”) under, and to the lenders party to (and any lender or affiliate thereof, who entered into a cash management arrangement and/or hedging obligations, the “**Canadian Prepetition Lenders**,” together with the Canadian Prepetition Agent, collectively the “**Canadian Prepetition Lienholders**” and together with the US

Prepetition Lienholders, collectively the “**Prepetition Lienholders**”), that certain Credit Agreement, dated as of May 31, 2006, as amended by that certain First Amendment dated as of July 20, 2007, that certain Second Amendment dated as of October 31, 2007, that certain Third Amendment and Waiver dated as of February 25, 2008, that certain Fourth Amendment dated as of March 31, 2008, that certain Fifth Amendment dated as of April 30, 2008, that certain Sixth Amendment dated as of May 28, 2008, that certain Seventh Amendment dated as of June 6, 2008, that certain Eighth Amendment dated as of June 30, 2008, that certain Ninth Amendment and Waiver dated as of August 7, 2008, that certain Tenth Amendment and Waiver dated as of November 12, 2008 and that certain Eleventh Amendment and Consent dated as of February 27, 2009; and as further modified by the letter agreements dated March 17, 2009, March 23, 2009, March 31, 2009 and April 6, 2009, (the “**Canadian Prepetition Credit Agreement**,” and together with the US Prepetition Credit Agreement, the “**Prepetition Credit Agreements**”), among Bowater Canada, as the borrower (the “**Canadian Prepetition Borrower**”) and Bowater, Bowater Alabama LLC, Bowater Newsprint South Operations LLC, Bowater Newsprint South LLC and certain of the Canadian Guarantors, as guarantors (the “**Canadian Prepetition Guarantors**”), the Canadian Prepetition Agent and the Canadian Prepetition Lenders and all collateral, security and ancillary documents executed in connection therewith or which relate thereto (the “**Canadian Prepetition Loan Documents**,” and together with the US Prepetition Loan Documents, the “**Prepetition Loan Documents**”), for any diminution in value of their interests in the Canadian Prepetition Collateral (as defined in paragraph L hereof), including the Cash Collateral, resulting from (i) the Bowater Debtors’ use of the Cash Collateral, (ii) the use, sale or lease of the Canadian Prepetition Collateral other than the Cash Collateral and (iii) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code;

(i) approve, in connection with the entry of this Order, a waiver of the provisions of section 506(c) of the Bankruptcy Code; and

(j) waive any applicable stay (including under Rule 6004 of the Federal Rules of Bankruptcy Procedure) and provide for immediate effectiveness of this Order.

An interim hearing having been held by the Bankruptcy Court on April 17, 2009 (the “**Interim Hearing**”), and the Bankruptcy Court having entered an interim order (dated April 17, 2009, as amended and restated by Docket No. 115 entered by the Bankruptcy Court, (collectively, as amended, the “**Interim Order**”) dated April 24, 2009 (Docket No. 115), that, among other things, scheduled a final hearing (the “**Final Hearing**”) to consider entry of this Order authorizing borrowings under the DIP Loan Documents on a final basis, as set forth in the DIP Motion and DIP Loan Documents.

Due and appropriate notice of the DIP Motion, the final relief requested herein and the Final Hearing, as well as the Interim Order, have been served by telecopy, overnight delivery service, hand delivery or U.S. mail to each of the Initial Notice Parties⁴ and, without duplication, to (i) the entities listed on the Consolidated List of Creditors Holding the 50 Largest Unsecured Claims, (ii) counsel to the DIP Agents and counsel to each DIP Lender, if known by the Bowater Debtors, (iii) counsel to the Prepetition Agents, (iv) if practicable, the applicable state and local taxing authorities, (v) parties who have filed a request for service prior to such date, and (vi) other secured parties as shown on any Uniform Commercial Code searches conducted prepetition.

THE COURT HEREBY FINDS THAT:

A. On April 16, 2009 (the “**Petition Date**”), the Bowater Debtors filed voluntary petitions in the Bankruptcy Court for relief, and commenced proceedings under,

⁴ As defined in the Interim Order.

chapter 11 of the Bankruptcy Code. The Cases have been consolidated procedurally for administrative purposes, and the Bowater Debtors have continued in the possession of their assets and in the management of their businesses pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. The Bankruptcy Court has jurisdiction, pursuant to 28 U.S.C. §§ 157(b) and 1334, over the Cases, and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, 364, 365 and 507 of the Bankruptcy Code and Bankruptcy Rules 2002 and 4001 and the Local Bankruptcy Rules. Venue of the Cases in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

C. The office of the U.S. Trustee appointed the Committee on April 28, 2009 (Docket No. 128).

D. Prior to the Petition Date, certain of the Bowater Debtors were provided financing pursuant to the Prepetition Credit Agreements.

E. The Bowater Debtors have requested that the DIP Agents and the DIP Lenders enter into the DIP Facility to fund expenses, adequate protection and other general corporate purposes of the Bowater Debtors subject to compliance with the DIP Loan Agreement, including payment of all fees and expenses then due and payable to the DIP Agents and DIP Lenders and payment of costs, fees and expenses in connection with the Bowater Debtors' Cases.

F. Certain of the Bowater Debtors need to obtain funds and financial accommodations with which to continue their ordinary course operations, meet their payroll and other necessary, ordinary course business expenditures, acquire raw materials, goods and services, satisfy the adequate protection provisions hereunder, and administer and preserve the

value of their estates. The ability of the Bowater Debtors to finance their operations, requires the availability of additional working capital, the absence of which would immediately and irreparably harm the Bowater Debtors, their estates, and their creditors. It is vital that the Bowater Debtors maintain the ability to finance their operations in order to preserve and maintain their going concern value.

G. The Bowater Debtors are unable to obtain unsecured credit under sections 503(b)(1), 364(a) and (b) of the Bankruptcy Code and are only able to obtain secured credit under sections 364(c)(1), 364(c)(2), 364(c)(3) and, solely in respect of the Catawba Acre Lien, 364(d) of the Bankruptcy Code under the terms and conditions set forth in this Order and in the DIP Loan Documents.

H. The relief requested in the DIP Motion, as modified by this Order, is necessary, essential and appropriate for the continued operation of the Bowater Debtors' businesses and the management and preservation of their properties.

I. It is in the best interest of Bowater Debtors' estates to be authorized to borrow under the DIP Facility contemplated by the DIP Loan Agreement, the other DIP Loan Documents and this Order.

J. The terms and conditions of the DIP Facility, as modified by this Order, including those which provide for the payment of interest to, and fees of, the DIP Agents (for the ratable benefit of DIP Agents and the DIP Lenders) and the DIP Lenders at the times, and in the manner provided under the DIP Loan Documents, as well as any fees paid directly to the DIP Agents or the DIP Lenders, are fair, reasonable, and the best available under the circumstances and reflect the Bowater Debtors' prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration.

K. The DIP Loan Documents were negotiated in good faith and at arm's length between the Bowater Debtors, on the one hand, and the DIP Agents and the DIP Lenders, on the other hand. Credit to be extended under the DIP Facility will be so extended in good faith, in consequence of which the DIP Agents and the DIP Lenders are entitled to the protection and benefits of section 364(e) of the Bankruptcy Code.

L. Without prejudice to the rights of parties in interest (other than the Bowater Debtors) as set forth in paragraph 26 hereof, the Bowater Debtors (on behalf of and for themselves) admit, stipulate, acknowledge, agree as follows (the **"Bowater Debtors' Stipulations"**):

- (i) Pursuant to the US Prepetition Credit Agreement, the US Prepetition Agent and the US Prepetition Lenders made loans and other financial accommodations to or for the benefit of the US Debtors.
- (ii) The US Prepetition Credit Agreement provided the US Prepetition Borrowers with, among other things, USD 370,436,241 in aggregate principal amount of revolving commitments. As of the Petition Date, (x) the outstanding principal amount owed by the US Prepetition Borrowers under the US Prepetition Agreement was approximately USD 204,000,000; and (y) the outstanding face amount of all undrawn letters of credit under the US Prepetition Agreement was approximately USD 68,500,000 (collectively, together with all other Obligations as defined in the US Prepetition Credit Agreement, the **"US Prepetition Secured Indebtedness"**).

- (iii) To secure the US Prepetition Secured Indebtedness, the US Prepetition Borrowers and US Guarantors granted to the US Prepetition Lienholders valid, perfected, first priority security interests and liens on substantially all of the US Collateral, including among other things (a) substantially all of the assets consisting of personal property of Bowater, Bowater America Inc., Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, and Bowater Alabama LLC, including without limitation (in each case as defined in the US Prepetition Credit Agreement) all (A) accounts; (B) cash and currency; (C) chattel paper; (D) deposit accounts; (E) documents; (F) general intangibles; (G) instruments; (H) inventory; (I) investment property; (J) letter-of-credit rights; (K) books and records pertaining to the foregoing; and (L) to the extent not otherwise included, all proceeds and products of any and all of the foregoing and all collateral security and supporting obligations given by any Bowater Debtor with respect to any of the foregoing; (b) the real estate, including land, fixtures, improvements, equipment, leases, rents, proceeds, and all personal, real and mixed property thereunder of Bowater Alabama LLC and Bowater Newsprint South Operations LLC (collectively the **“Shared Real Estate Assets”**); (c) certain other assets of Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC,

and Bowater Alabama LLC (collectively, the “**US Prepetition Collateral**”).

- (iv) Based on the US Debtors and the Canadian Debtors’ preliminary analysis, to the best of their knowledge, as of the Petition Date, the US Prepetition Collateral is in excess of the US Prepetition Secured Indebtedness and the Canadian Prepetition Collateral is in excess of the Canadian Prepetition Secured Indebtedness.
- (v) Certain of the US Guarantors have guaranteed the US Prepetition Secured Indebtedness.
- (vi) Pursuant to the Canadian Prepetition Credit Agreement, the Canadian Prepetition Agent and the Canadian Prepetition Lenders made loans and other financial accommodations to or for the benefit of Bowater Canada.
- (vii) The Canadian Prepetition Credit Agreement provided the Canadian Prepetition Borrower with, among other things, USD 163,893,053 in aggregate principal amount of revolving commitments, with a USD 50,000,000 sublimit for the issuance of standby letters of credit and a USD 10,000,000 sublimit for swingline loans. As of the Petition Date, (w) the outstanding principal amount owed by the Canadian Prepetition Borrower under the Canadian Prepetition Credit Agreement was approximately CAD 61,110,910 as Canadian Prime Rate Loans (capitalized terms used in this paragraph only, but not otherwise defined in this Order, shall have

the meanings ascribed to them in the Canadian Prepetition Credit Agreement) plus approximately USD 18,474,500 as Base Rate Loans; (x) the outstanding face amounts of all Letters of Credit under the Canadian Prepetition Credit Agreement was approximately CAD 33,379,173 under the Letters of Credit denominated in Canadian Dollars plus USD 877,039 under the Letters of Credit denominated in Dollars; and (y) in addition to the above, the Canadian Prepetition Borrower owes USD 12,000,000 of outstanding principal as the Fairfax Credit Loan (as defined in the Canadian Prepetition Credit Agreement) and USD 18,300,000 of outstanding principal as the EDC Credit Loan and (z) certain outstanding amounts under the Swingline Loans (collectively, together with all other Obligations as defined in the Canadian Prepetition Credit Agreement, the **“Canadian Prepetition Secured Indebtedness,”** and together with the US Prepetition Secured Indebtedness, the **“Prepetition Secured Indebtedness”**). As set forth in the Canadian Prepetition Credit Agreement, any payments or distributions on account of the Canadian Prepetition Secured Indebtedness shall be made in the applicable Permitted Currency for such Loans or other Obligations, as provided by the Canadian Prepetition Credit Agreement, or in the equivalent amount of U.S. dollars at the spot exchange rate as of the date of such payment or distribution. The Canadian Prepetition Agent, on

behalf of itself and each Canadian Prepetition Lender, reserves the right to revise, amend and/or supplement any amounts referred to herein with respect to the Canadian Prepetition Secured Indebtedness, including, but not limited to, adjustments based on fluctuations in applicable exchange rates or any indemnification to which such parties are entitled. In addition, nothing herein shall be construed to waive any additional amounts, claims, rights or defenses of the Canadian Prepetition Agent or any Canadian Prepetition Lender against the Debtors, including, but not limited to, in connection with transactions other than the Canadian Prepetition Credit Agreement, administrative expense claims in accordance with section 503 or 507 of the Bankruptcy Code, or amounts owed pursuant to section 506(b) of the Bankruptcy Code.

- (viii) The Canadian Prepetition Secured Indebtedness is secured by valid, perfected, first priority liens in and security interests on, among other things, (a) the inventory, accounts receivable, deposit accounts and certain other assets of Bowater Canada, Bowater Canadian Holdings Incorporated, Bowater Canada Finance Limited Partnership, Bowater Shelburne Corporation and Bowater LaHave Corporation, (b) 100% of total issued and outstanding units of Bowater Korea Ltd., (c) the Shared Real Estate Assets, and (d) mortgages on certain other real property and improvements thereon, together with certain other rights related thereto, owned

by Bowater Canada in Canada (the “**Canadian Real Estate Assets**”) (collectively, the “**Canadian Prepetition Collateral**,” together with the US Prepetition Collateral, the “**Prepetition Collateral**”); *provided, however*, that nothing herein shall be deemed to be a stipulation, admission or agreement by the Bowater Debtors as to any claims or causes of action against the Fairfax Credit Lenders (as defined in the Canadian Prepetition Credit Agreement) that arise under this Order, the Canadian Prepetition Credit Agreement or related credit documents, the Bankruptcy Code or applicable law.

- (ix) U.S. Prepetition Borrowers and the Canadian Guarantors have guaranteed the Canadian Prepetition Secured Indebtedness.
- (x) Nothing in this Order or any DIP Loan Document shall be construed as limiting the amount of Prepetition Secured Indebtedness or prejudice the right of the DIP Agents or any DIP Lenders, or the rights of any party in interest other than the Bowater Debtors (subject to the terms set forth herein) to contest the amount of Prepetition Secured Indebtedness.
- (xi) The Bowater Debtors do not owe any debts or obligations secured by the Catawba Acre Lien.

M. As a result of the grant of the DIP Liens, subordination to the Carve-Out (defined below), and the use of the Prepetition Collateral, including Cash Collateral, authorized herein, and the imposition of the automatic stay under section 362 of the Bankruptcy Code, the

Prepetition Lienholders are entitled to adequate protection pursuant to sections 361, 362 and 363 of the Bankruptcy Code as set forth herein. The Bowater Debtors have agreed, in their reasoned business judgment, to provide adequate protection to the Prepetition Lienholders on the terms and conditions set forth in this Order, which terms and conditions are fair and reasonable and were negotiated in good faith and at arm's length.

N. Good and sufficient cause has been shown for the entry of this Order. Among other things, the entry of this Order will enable the Bowater Debtors: to continue the operation of their business and avoid immediate and irreparable harm to the Bowater Debtors' estates and their properties; to meet payroll, related taxes and other operating expenses; to obtain needed supplies and raw materials; and to avoid disputes with the Prepetition Lienholders with respect to adequate protection. Entry of this Order is in the best interests of the Bowater Debtors, their creditors, and their estates. Approval of the DIP Facility is vital to avoid immediate and irreparable harm to the Bowater Debtors' estates, and is therefore in the best interests of all stakeholders in the Bowater Debtors' estates.

NOW THEREFORE, based upon the DIP Motion and the record before the Bankruptcy Court with respect to the DIP Motion made by the Debtors at the Interim Hearing and the Final Hearing; and all objections, if any, to the entry of this Order having been withdrawn, resolved or overruled by this Bankruptcy Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor,

IT IS ORDERED that:

1. The relief requested in the DIP Motion, as modified by this Order, is hereby granted on a final basis, and the terms and the conditions of the DIP Loan Documents are hereby approved. The Bowater Debtors are authorized to:

- (a) enter into the DIP Facility;
- (b) execute and deliver each of the DIP Loan Documents to which any Bowater Debtor is a party, including Amendment No. 1;
- (c) with respect to the Borrowers, borrow and obtain extensions of credit up to USD 360,000,000 (USD 154,000,000 of which shall only be borrowed after further approval from the Bankruptcy Court only after notice and a further hearing) under the DIP Loan Agreement;
- (d) pay all fees and expenses required under or referred to in the DIP Loan Documents as they become due, including, agent fees, closing fees and exit fees, and reasonable fees and expenses of attorneys and other professionals in accordance with the terms of the DIP Loan Agreement and this Order;
- (e) use the proceeds of the DIP Facility in a manner consistent with the DIP Loan Agreement for (a) working capital; (b) other general corporate purposes of the Bowater Debtors; (c) payment of any related transaction costs, fees and expenses; and (d) the costs associated with administration of the Bowater Debtors' Cases; *provided however*, that nothing contained in this Order or the DIP Loan Agreement shall permit the use of proceeds of the DIP Facility to fund directly or indirectly the working capital and other general corporate purposes of any Debtors other than the Bowater Debtors, nor shall such proceeds be used to fund the administrative expenses of the Parent's Case, unless such expenses are subject to allocation, in the ordinary course of business, among the Bowater Debtors and the other Debtors or such payments constitute permitted affiliate or intercompany transactions under the DIP Loan Documents ; and
- (f) pay Adequate Protection Obligations (as defined in paragraphs 9 and 10).

2. The Bowater Debtors are hereby authorized and directed to do and perform all acts and to make, execute, and deliver all instruments and documents that may be required or necessary for the performance by the Bowater Debtors under the DIP Loan Documents and the creation and perfection of (i) the Liens granted by the Bowater Debtors, as described in and provided for by the DIP Loan Documents and (ii) the Adequate Protection Liens (as defined in paragraphs 9 and 10).

3. Each officer of the Bowater Debtors hereby is authorized to execute and deliver each of the DIP Loan Documents, such execution and delivery to be conclusive of their respective authority to act in the name of and on behalf of the Bowater Debtors.

4. (a) The US Debtors are hereby authorized and directed to grant, subject to the Carve-Out, to the DIP Collateral Agent (for the ratable benefit of the DIP Lenders) and the DIP Collateral Agent is hereby granted (for the ratable benefit of the DIP Lenders), subject to the Carve-Out, as collateral pursuant to the DIP Loan Documents to secure all DIP Obligations of the US Debtors, valid, enforceable and perfected security interests in and Liens (collectively, the “**US DIP Liens**”) on all assets, including without limitation, all personal, real and mixed property, of the US Debtors whether existing as of the Petition Date or thereafter, (but excluding Avoidance Actions as defined below), including without limitation, all intercompany debt payable to the US Debtors (the “**US Intercompany Claims**”), 100% of the capital stock held by the US Debtors in domestic subsidiaries and 65% of the capital stock held by the US Debtors in foreign Subsidiaries (collectively, the “**US Collateral**”), with such security interests and US DIP Liens having the following priority: (A) pursuant to section 364(c)(3) of the Bankruptcy Code, immediately junior to valid, enforceable and perfected Liens upon (the “**Permitted US Prepetition Liens**”) the US Collateral granted pursuant to the US Prepetition Loan Documents

or the Canadian Prepetition Loan Documents or perfected by the US Prepetition Agent or the Canadian Prepetition Agent (but not granted) after the Petition Date to the extent such post-Petition Date perfection in respect of prepetition claims is permitted under the Bankruptcy Code and such other Liens as are expressly permitted under the DIP Loan Documents or this Order, including any valid claims or properly perfected liens of Applied Industrial Technologies, Inc. in connection with certain goods consigned to the Debtors (the “**AIT Consigned Goods**”), whether the AIT Consigned Goods are provided to the Debtors prepetition or postpetition, and including any pre or postpetition cash proceeds received from the sale of the AIT Consigned Goods (for the avoidance of doubt, the AIT Consigned Goods shall not include inventory manufactured using the Consigned Goods), and any US Intercompany Claims in existence as of the Petition Date and replacement liens granted as adequate protection hereunder, but excluding US Intercompany Claims arising after the Petition Date (B) pursuant to section 364(c)(2) of the Bankruptcy Code, a first-priority valid, enforceable and perfected security interest in, and Liens upon (i) the real property, physical plants, fixtures, equipment and other related property of the US Debtors (not including assets subject to valid, enforceable and perfected Permitted US Prepetition Liens) including but not limited to the real property, physical plants, fixtures, equipment and other related property that comprise the Bowater Debtors’ respective properties located in Catawba, South Carolina and Calhoun, Tennessee, and (ii) any US Intercompany Claims arising after the Petition Date; and (C) pursuant to section 364(d)(1) of the Bankruptcy Code, a valid, binding, enforceable and perfected priming Liens upon that portion of such property comprising the Catawba Acre, solely to the extent of the Catawba Acre Lien (the collateral described in clauses (B) and (C) hereunder, being the “**US Lender Priority Collateral**”).

(b) The Canadian Debtors are hereby authorized and directed to grant, subject to the Carve-Out, to the DIP Collateral Agent (for the ratable benefit of the DIP Lenders) and the DIP Collateral Agent is hereby granted (for the ratable benefit of the DIP Lenders), subject to the Carve-Out, as collateral pursuant to the DIP Loan Documents to secure all DIP Obligations of the Canadian Debtors, valid, enforceable and perfected security interests in and Liens (collectively, the **“Canadian DIP Liens”**, together with the US DIP Liens, collectively, the **“DIP Liens”**) on all assets, including without limitation, all personal, real and mixed property, of the Canadian Debtors whether existing as of the Petition Date or thereafter (but excluding Avoidance Actions as defined below), including without limitation, all intercompany debt payable to the Canadian Debtors (the **“Canadian Intercompany Claims”**), 100% of the capital stock held by the Canadian Debtors in their Subsidiaries (collectively, the **“Canadian Collateral”**, together with the US Collateral, collectively, the **“Collateral”**), with such security interests and Canadian DIP Liens having the following priority: (A) pursuant to section 364(c)(3) of the Bankruptcy Code, immediately junior to valid, enforceable and perfected Liens upon (the **“Permitted Canadian Prepetition Liens”** and together with the Permitted US Prepetition Liens, the **“Permitted Prepetition Liens”**) the Canadian Collateral granted pursuant to the Prepetition Facilities or perfected by the Prepetition Agents (but not granted) after the Petition Date to the extent such post-Petition Date perfection in respect of prepetition claims is permitted under the Bankruptcy Code and such other Liens as are expressly permitted under the DIP Loan Documents or this Order, including any Canadian Intercompany Claims in existence as of the Petition Date and replacement liens granted as adequate protection hereunder but excluding Canadian Intercompany Claims arising after the Petition Date, and (B) pursuant to section 364(c)(2) of the Bankruptcy Code, a first-priority valid, enforceable and perfected security

interest in, and Liens upon (i) assets of the Canadian Debtors not subject to valid, enforceable and perfected Permitted Canadian Prepetition Liens, and (ii) Canadian Intercompany Claims arising after the Petition Date (the collateral described in clause (B) hereunder, being the **“Canadian Lender Priority Collateral”**, together with the US Lender Priority Collateral, collectively the **“Lender Priority Collateral”**).

(c) the Canadian Debtors are authorized to grant the US Debtors, and there is granted, subject to the Carve-Out, as collateral to secure all intercompany claims arising after the Petition Date, pursuant to section 364(c)(3) of the Bankruptcy Code, security interests in and liens on all Canadian Collateral, junior to the Canadian DIP Liens, Permitted Canadian Prepetition Liens, and the Canadian Adequate Protection Liens.

(d) Notwithstanding the foregoing clauses (a) and (b), the Collateral under this Order shall not include any causes of action or other avoidance power claims arising under sections 544, 545, 547, 548, 550 (solely with respect to claims asserted under sections 544, 545, 547, 548 and 553 of the Bankruptcy Code) and 553 of the Bankruptcy Code (collectively, **“Avoidance Actions”**) or the proceeds thereof.

5. Notwithstanding the automatic stay imposed under section 362(a) of the Bankruptcy Code, (i) the Bowater Debtors are hereby permitted to grant, and do hereby grant, the DIP Liens and the Adequate Protection Liens, and perform the DIP Obligations and Adequate Protection Obligations and incur the liabilities to the DIP Agents and the DIP Lenders under the DIP Loan Documents, (ii) the DIP Agent may deliver an Enforcement Notice (as defined in paragraph 21) following a DIP Order Event of Default with respect to the Lender Priority Collateral, and (iii) the DIP Agents and the Prepetition Agents are hereby permitted to file and record financing statements, mortgages or other instruments to provide further notice of

and evidence the grant and perfection of the Liens granted to the DIP Collateral Agent and DIP Lenders and the Prepetition Agents (on behalf of the Prepetition Lienholders); *provided*, *however*, that notwithstanding the order in which any financing statements, mortgages or other instruments are filed, the priority of the liens granted in favor of the DIP Collateral Agent, the DIP Lenders and the Prepetition Agents (on behalf of the Prepetition Lienholders) shall be governed solely by the terms of this Order.

6. (a) The Bowater Debtors are hereby authorized to use the cash and cash equivalent proceeds of the Prepetition Collateral that constitute “cash collateral” within the meaning of section 363 of the Bankruptcy Code, located in deposit or securities accounts subject to control agreements or otherwise within the control of the Prepetition Agent or the Prepetition Lenders (the “**Cash Collateral**”) and other property in which the Prepetition Agent and the Prepetition Lenders have an interest pursuant to sections 363(b) and 363(c) of the Bankruptcy Code in accordance with the terms and conditions of the DIP Loan Agreement and this Order; *provided* that, such Cash Collateral may be used as authorized and permitted herein for (a) working capital; (b) other general corporate purposes of the Bowater Debtors; and (c) payment of the costs associated with administration of the Bowater Debtors’ cases, and, except for use of Cash Collateral in respect of the Carve-Out, only so long as (i) the Termination Date (as defined in paragraph 18) shall not have occurred under the DIP Loan Agreement and (ii) there is no continuing default by the Bowater Debtors of the Adequate Protection Obligations arising under paragraph 9(c) or 10(c) of this Order.

(b) Except as otherwise agreed in writing among the Bowater Debtors, the DIP Agents and the DIP Lenders, the Bowater Debtors shall use proceeds of the DIP Facility and proceeds of DIP Collateral only as permitted under the DIP Loan Documents; *provided that*

notwithstanding anything to the contrary herein or in any DIP Loan Document, net cash proceeds from the disposition of Prepetition Collateral (other than proceeds of Intercompany Claims, proceeds of accounts receivable and from the sale or disposition of inventory in the ordinary course and obsolete, worn-out or surplus equipment in an aggregate amount not greater than USD 3,000,000) shall not constitute cash collateral and the Debtors shall not be permitted to use such proceeds other than pursuant to further Bankruptcy Court order.

7. The DIP Liens and the Adequate Protection Liens shall not be subject or subordinate to (i) any Prepetition Permitted Lien or security interest that is avoided and preserved for the benefit of the Bowater Debtors and their estates including liens preserved under section 551 of the Bankruptcy Code, (ii) except as provided in this Order and the DIP Loan Documents, any Liens arising after the Petition Date including, any Liens or security interests granted in favor of any federal, state, provincial, municipal or other governmental unit, commission, board or court for any liability of the Bowater Debtors; or (iii) any intercompany or affiliate liens of the US Debtors. In the event the US Debtors default in the performance of the Adequate Protection Obligations described in paragraph 9(c) below, the US Prepetition Agent may seek relief from the automatic stay to enforce any and all rights and remedies with respect to the US Prepetition Secured Indebtedness and US Prepetition Collateral if such default shall be continuing for more than five business days. In the event the Canadian Debtors default in the performance of the Adequate Protection Obligations described in paragraph 10(c) below, the Canadian Prepetition Agent may seek relief from the automatic stay to enforce any and all rights and remedies with respect to the Canadian Prepetition Secured Indebtedness and the Canadian Prepetition Collateral and Canadian Lender Priority Collateral if such default shall be continuing for more than five business days. Notwithstanding the foregoing, the Prepetition Lienholders

shall not have the right to sell or otherwise dispose of any collateral on which the DIP Collateral Agent and the DIP Lenders have a Lien senior to the Liens of any Prepetition Lienholder.

8. All amounts applied to the payment of the DIP Obligations shall be applied thereto in the manner set forth in the DIP Loan Documents.

9. The Bowater Debtors acknowledge and stipulate that the US Prepetition Lienholders are entitled, pursuant to sections 361 and 363(e) of the Bankruptcy Code, to adequate protection of their interest in the US Prepetition Collateral, including the Cash Collateral, for any diminution in value of the US Prepetition Lienholders' US Prepetition Collateral, including, without limitation, any such diminution resulting from the sale, lease or use by the Bowater Debtors (or other decline in value) of Cash Collateral and any other US Prepetition Collateral, and the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code. As adequate protection, the US Prepetition Lienholders are hereby granted the following (collectively, the **"US Adequate Protection Obligations"**):

(a) The US Prepetition Agent (for itself and for the ratable benefit of the US Prepetition Lienholders) is hereby granted valid, binding enforceable Liens effective and perfected upon the date of this Order (without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements or other agreements) replacement security interests in and Liens upon all the US Collateral, subject only to the Carve-Out and having the following priorities: (i) first priority Liens on all pre-and postpetition accounts, cash and currency (other than proceeds of DIP Facility loans and Lender Priority Collateral), chattel paper, deposit accounts (other than proceeds of DIP Facility Loans and Lender Priority Collateral), documents, general intangibles (including the intercompany claims referred to in paragraph 4(c) above), instruments, inventory, investment property, letter-of-credit rights, and

proceeds and products of the foregoing; *provided* that any such first priority Lien on Intercompany Claims shall be limited to the amount of the US Intercompany Claims in existence as of the Petition Date; (ii) first priority Liens on the Shared Real Estate Assets, which shall be *pari passu* and *pro rata* with the Liens securing the Canadian Adequate Protection Obligations; and (iii) second priority Liens on all US Lender Priority Collateral, immediately junior to the DIP Liens (the “**US Adequate Protection Liens**”).

(b) The US Prepetition Agent and other US Prepetition Lienholders are hereby granted, subject to the payment of the Carve-Out, a super priority claim pursuant to section 507(b) of the Bankruptcy Code (against the US Debtors) which shall be *pari passu* with the Superpriority Claims held by the DIP Agents and DIP Lenders.

(c) The US Prepetition Agent shall receive from the US Debtors (i) immediate cash payment of all accrued and unpaid interest on the US Prepetition Secured Indebtedness at the non-default rates provided for in the US Prepetition Credit Agreement, and all accrued and unpaid fees and disbursements owed to the US Prepetition Agent and reasonable fees of counsel and other professionals of the US Prepetition Agent under the US Prepetition Agreement incurred prior to the Petition Date, (ii) current cash payment of all fees and expenses payable (including without limitation, US Prepetition Agent fees and letter of credit fees owing to Issuing Lenders (as defined in the US Prepetition Credit Agreement)) under the US Prepetition Credit Agreement, and, with respect to the US Prepetition Agent, the reasonable fees and disbursements of counsel and other professionals for the US Prepetition Agent, and (iii) current monthly payment of all accrued but unpaid interest on such US Prepetition Secured Indebtedness at the non-default rate until repayment in full of such debt. With respect to all interests, fees, and expenses described in this paragraph, the US Prepetition Lienholders reserve their rights to assert

claims for the payment of additional interest or fees calculated at any other applicable rate (including, without limitation, default rates), or on any other basis, provided for in the US Prepetition Agreement, without prejudice to the rights of any other party to contest such assertion; *provided, however*, in the event that it is determined by a final, non-appealable order that any payments received by any of the Prepetition Agents and Prepetition Lenders as adequate protection could not be applied to post-petition interest, fees and expenses under section 506(b) of the Bankruptcy Code, any such payments may, upon appropriate notice, hearing and order, be recharacterized as payment of principal or subject to such other relief as the Bankruptcy Court may order.

(d) The US Prepetition Agent and the US Prepetition Lenders shall receive all financial statements and other reports that are furnished to the DIP Agent and the DIP Lenders at the same time provided for in the DIP Loan Documents.

10. In accordance with sections 361 and 363(e) of the Bankruptcy Code, as adequate protection, the Canadian Prepetition Agent is hereby granted (for the ratable benefit of the Canadian Prepetition Agent and the Canadian Prepetition Lenders) the following forms of adequate protection to the extent of diminution in the value of the Canadian Prepetition Collateral subsequent to the Petition Date (the **“Canadian Adequate Protection Obligations,”** and together with the US Adequate Protection Obligations, the **“Adequate Protection Obligations”**) by (i) sale, lease or use of the Prepetition Collateral including any Canadian Cash Collateral, and (ii) the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code:

(a) The Canadian Prepetition Agent (for itself and for the ratable benefit of the Canadian Prepetition Lienholders) is hereby granted valid, binding, enforceable Liens

effective and perfected upon the date of this Order (without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements or other agreements) in each case subject to the Carve-Out, as follows (collectively, (a)(i) – (iv), the “**Canadian Adequate Protection Liens**” and together with the US Adequate Protection Liens, the “**Adequate Protection Liens**”):

- i. Replacement of Liens on Canadian Prepetition Collateral. First priority replacement security interests in and Liens upon (the “**Canadian Replacement Liens**”) the Canadian Prepetition Collateral, including, without limitation, first priority Liens on the Shared Real Estate Assets, which shall be *pari passu* and *pro rata* with the Liens securing the US Adequate Protection Obligations, all proceeds thereof and accounts receivable generated therefrom, but excluding any and all postpetition Intercompany Claims;
- ii. Postpetition Junior Liens on Certain DIP Collateral. Subject and subordinate only to the DIP Liens relating to the Canadian Lender Priority Collateral and Permitted Prepetition Liens, security interests in and Liens upon the Canadian Lender Priority Collateral, including, without limitation, all postpetition Intercompany Claims and all proceeds thereof and accounts receivable generated therefrom;
- iii. Third Liens on Canadian Prepetition Collateral. Subject and subordinate only to the DIP Liens relating to the Canadian Real Estate Assets, security interests in and Liens upon the Canadian Real Estate Assets, including, without limitation, all proceeds thereof and accounts receivable generated therefrom; and
- iv. Junior Liens on US DIP Collateral. Subject and subordinate only to the DIP Liens relating to the US Lender Priority Collateral, the US Adequate Protection Liens and the Permitted US Prepetition Liens, security interests in and Liens upon the any and all assets or property of the US Debtors that constitute the DIP Collateral hereunder, including, without limitation, all Intercompany Claims, all proceeds thereof and accounts receivable generated therefrom.

(b) The Canadian Prepetition Agent and other Canadian Prepetition

Lienholders are hereby granted, subject to the payment of the Carve-Out, a super priority claim

pursuant to section 507(b) of the Bankruptcy Code (against the Canadian Debtors) which shall be *pari passu* with the Superpriority Claims held by the DIP Agents and DIP Lenders.

(c) The Canadian Prepetition Agent shall receive from the Canadian Debtors

(i) immediate cash payment of all accrued and unpaid interest on the Canadian Prepetition Secured Indebtedness at the non-default rates provided for in the Canadian Prepetition Credit Agreement, and all accrued and unpaid fees and disbursements owed to the Canadian Prepetition Agent and reasonable fees of counsel and other professionals of the Canadian Prepetition Agent under the Canadian Prepetition Agreement incurred prior to the Petition Date, (ii) current cash payment of all fees and expenses payable (including without limitation, Canadian Prepetition Agent fees and letter of credit fees owing to Issuing Lenders (as defined in the Canadian Prepetition Credit Agreement)) under the Canadian Prepetition Credit Agreement, and, with respect to the Canadian Prepetition Agent, the reasonable fees and disbursements of counsel and other professionals for the Canadian Prepetition Agent, and (iii) current monthly payment of all accrued but unpaid interest on such Canadian Prepetition Secured Indebtedness at the non-default rate until repayment in full of such debt. With respect to all interests, fees, and expenses described in this paragraph, the Canadian Prepetition Lienholders reserve their rights to assert claims for the payment of additional interest or fees calculated at any other applicable rate (including, without limitation, default rates), or on any other basis, provided for in the Canadian Prepetition Agreement, without prejudice to the rights of any other party to contest such assertion; *provided, however*, in the event that it is determined by a final, non-appealable order that any payments received by any of the Prepetition Agents and Prepetition Lenders as adequate protection could not be applied to post-petition interest, fees and expenses under section 506(b) of the Bankruptcy Code, any such payments may, upon appropriate notice, hearing and order, be

recharacterized as payment of principal or subject to such other relief as the Bankruptcy Court may order.

(d) The Canadian Prepetition Agent and the Canadian Prepetition Lenders shall receive all financial statements and other reports that are furnished to the DIP Agent and the DIP Lenders at the same time provided for in the DIP Loan Documents.

11. (a) This Order shall be sufficient and conclusive notice and evidence of the grant, validity, perfection, and priority of (i) the DIP Liens and (ii) the Adequate Protection Liens, in each case without the necessity of filing or recording this Order (other than as docketed in the Cases) or any financing statement, mortgage or other instrument or document which may otherwise be required under the law of any jurisdiction or the taking of any other action to validate or perfect the DIP Liens and the Adequate Protection Liens, or to entitle the DIP Collateral Agent or the Prepetition Agent to the priorities granted herein (including, in respect of cash or deposits or investment property, any requirement that the DIP Collateral Agent or a DIP Lender have possession of or dominion and control over, any such cash in order to perfect an interest therein); *provided* that the Bowater Debtors are authorized to execute and the DIP Collateral Agent and the Prepetition Agents may file or record financing statements, mortgages or other instruments further to evidence or further to perfect the DIP Liens and Adequate Protection Liens authorized, granted and perfected hereby; and *provided further* that no such filing or recordation shall be necessary or required in order to create, perfect or affect the priority of any such Lien.

(b) The Bowater Debtors are hereby authorized and directed to pay, no later than ten (10) business days after receipt of invoices described in the proviso below, (i) to the extent provided for in the DIP Loan Agreement, all reasonable and documented costs, fees and

out of pocket expenses of the DIP Agents and each DIP Lender, including costs, fees and expenses incurred in connection with the negotiation and documentation of the DIP Facility, the DIP Loan Documents and the matters set forth in this Order and (ii) Adequate Protection Payments on account of professional fees described in paragraphs 9 and 10. No such costs and expenses shall be subject to the approval of the Bankruptcy Court, and no recipient of any such payment shall be required to file with respect thereto any interim or final fee application with the Bankruptcy Court, *provided* that invoices detailing the name, billing rate, time spent by each professional and the services rendered, and a description of expenses incurred, shall be provided to counsel for the Bowater Debtors, the Committee and the U.S. Trustee. The Bankruptcy Court shall have exclusive jurisdiction over any objections raised to the fees proposed to be paid to the DIP Lenders or the DIP Agents.

12. The DIP Loan Agreement and each of the DIP Loan Documents, respectively, shall constitute and evidence the valid and binding DIP Obligations of each of the Bowater Debtors, which DIP Obligations shall be enforceable against all of the Bowater Debtors in accordance with their terms and the terms of this Order.

13. (a) The DIP Obligations shall be an allowed administrative expense claim with priority, subject and subordinate only to the Carve-Out, under sections 364(c)(1) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Bowater Debtors, now existing or hereafter arising, of any kind or nature whatsoever, other than as provided in clause (c) of this paragraph 13 (the “**DIP Superpriority Claim**”).

(b) Claims of the Prepetition Agents and Prepetition Lenders with respect to the Adequate Protection Obligations shall be entitled to all of the benefits of section 507(b) of

the Bankruptcy Code; with priority, subject and subordinate only to the Carve-Out, and otherwise over all administrative expense claims and unsecured claims against the Bowater Debtors, now existing or hereafter arising, of any kind or nature whatsoever, other than as provided in clause (c) of this paragraph 13 (the “**Adequate Protection Superpriority Claim**”).

(c) Notwithstanding anything to the contrary herein, the DIP Superpriority Claim and the Adequate Protection Superpriority Claim shall be treated as *pari passu* claims against the Bowater Debtors; provided, however, such claims shall not be satisfied from the proceeds of any Avoidance Actions.

14. Interest on the DIP Obligations shall accrue at the rates and shall be paid at the times as provided in the DIP Loan Documents. All DIP Obligations shall become due and payable, without notice or demand, on the Termination Date (as defined in Paragraph 18).

15. Except for the Carve-Out, no costs or expenses of administration, including, professional fees allowed and payable under sections 330 and 331 of the Bankruptcy Code that have been or may be incurred in the Cases, and no priority claims to the Collateral are, or will be, prior to or on a parity with the DIP Obligations, the Adequate Protection Obligations, any DIP Superpriority Claim or Adequate Protection Claim, or any other claims of the DIP Agents (whether for itself or for the ratable benefit of the DIP Lenders), the DIP Lenders or the Prepetition Agents (whether for themselves or for the ratable benefit of the Prepetition Lenders) arising hereunder.

16. The term “**Carve-Out**” means: (x) with respect to the US Debtors and their respective Cases and assets: (i) all fees required to be paid to the Clerk of the Bankruptcy Court and the Office of the U.S. Trustee pursuant to 28 U.S.C. §1930; (ii) after the occurrence and during the continuance of an Event of Default, an amount not to exceed USD 7,500,000 plus all

earned, accrued and unpaid professional fees and disbursements incurred prior to the occurrence of the Event of Default to the extent allowed by the Bankruptcy Court at any time, which amount may be used subject to the terms of this Order, to pay any fees or expenses incurred by the Bowater Debtors and any statutory committee appointed in the Cases in respect compensation for services rendered or reimbursement of expenses allowed by the Bankruptcy Court to professionals of the Bowater Debtors or any statutory committee appointed in the Cases; provided, however, that any retainers held by professionals shall be applied before payment of fees or expenses provided in this clause (x)ii; and (iii) in the event of the conversion of the Cases to cases under Chapter 7 of the Bankruptcy Code, an amount not to exceed USD 50,000 in respect of allowances of compensation for services rendered and reimbursement of expenses awarded by the Bankruptcy Court to the chapter 7 trustee or any professional retained by such trustee; and (y) with respect to the Canadian Debtors and their respective Cases and assets: (i) the administration charge ordered by the Superior Court of Quebec (Commercial Division) (the **“Canadian Court”**) in an aggregate amount not to exceed CAD 2,000,000 (the **“Administration Charge”**) for the payment of (A) incurred and unpaid professional fees and disbursements incurred by professionals and advisers retained by the Canadian Debtors in the cases pending before the Canadian Bankruptcy Court under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the **“Canadian Proceeding”**), and (B) incurred and unpaid professional fees and disbursements of the monitor in the Canadian Proceeding, including allowed and unpaid fees and expenses of its counsel; and (ii) upon receipt of an Enforcement Notice (as defined in paragraph 21), the Canadian Court ordered charge for directors in an aggregate amount not to exceed CAD 7,500,000 (the **“Directors’ Indemnification and Charge”**), securing the Canadian Debtors’ obligation to indemnify the directors of the Canadian

Debtors for liability arising after entry of the CCAA Order or in connection with the Canadian Debtors' failure to make payments in respect of employee obligations (as set forth more fully in paragraph 50 of the CCAA Order); *provided, however*, the dollar limitation set forth in clause (x)(ii) of this paragraph shall not be reduced by the amount of any compensation or reimbursement of expenses incurred but unpaid, or paid (to the extent ultimately allowed by an order of the Bankruptcy Court), prior to the receipt of an Enforcement Notice (as defined in paragraph 21) in respect of which the Carve-Out is invoked or by any fees, expenses, indemnities or other amounts paid to the DIP Agents, any DIP Lender, any Prepetition Lienholder or their respective attorneys and agents hereunder or otherwise; *provided further, however*, that to the extent approval of professional fees are subject to approval of the Bankruptcy Court, nothing in this paragraph shall be construed to impair the ability of any party to object, pursuant to section 330 of the Bankruptcy Code, to the reasonableness of the fees, expenses, reimbursement or compensation described herein.

17. Except for the Carve-Out, no costs or expenses of administration of the Cases or any future proceeding that may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Collateral, the Prepetition Collateral or the Cash Collateral pursuant to section 506(c) of the Bankruptcy Code or any similar principle of law without the prior written consent of (i) the DIP Agent and the Required Lenders or (ii) the Prepetition Agents, as the case may be, and no such consent shall be implied from any other action, inaction, or acquiescence by the DIP Agent, the DIP Lenders, the Prepetition Agents or the Prepetition Lenders. In addition, the DIP Agents, the DIP Lenders, the Prepetition Agents or the Prepetition Lenders shall each be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code and the "equities of the case"

exception under section 552(b) of the Bankruptcy Code shall not apply to the DIP Agents, the DIP Lenders, the Prepetition Agents or the Prepetition Lenders with respect to proceeds, product, offspring or profits of any of the Collateral or the Prepetition Collateral.

18. All (a) DIP Obligations shall be immediately due and payable, without notice and demand, and (b) authority to use the proceeds of the DIP Facility and to Collateral, including Cash Collateral shall cease, subject to the obligations with respect to the Carve-Out, on the Maturity Date (as defined in the DIP Loan Agreement) (the “**Termination Date**”).

19. The occurrence of the Termination Date or, if sooner, the DIP Agent’s furnishing the Bowater Debtors with notice of the occurrence of any Event of Default (as defined in the DIP Loan Agreement) shall constitute a “**DIP Order Event of Default**”. Unless and until the DIP Obligations and Adequate Protection Obligations are unconditionally and indefeasibly repaid in full in cash, the protections afforded respectively to the DIP Agents and the Prepetition Agents under the DIP Loan Documents and hereunder, and any actions taken pursuant thereto and hereto, and the Carve-Out (as to pre-conversion or pre-effective date services) shall survive the entry of any order confirming a plan of reorganization or converting any of the Cases into a case pursuant to chapter 7 of the Bankruptcy Code. The Bowater Debtors agree not to seek, and it shall constitute an Event of Default under the DIP Loan Agreement, if any of the Bowater Debtors seek, without the written consent of the DIP Agents and the DIP Lenders, or if there is entered, (i) any modifications or extensions of this Order without the prior written consent of the DIP Agents and the DIP Lenders, and no such consent shall be implied by any other action, inaction or acquiescence by the DIP Agents or the DIP Lenders, (ii) an order converting any of the Cases to a case under chapter 7 of the Bankruptcy Code or (iii) an order dismissing any of the Cases. The Bowater Debtors further agree that the consensual use of Cash Collateral shall be

deemed terminated if any of the Bowater Debtors seek, without the written consent of the Prepetition Agents, and no such consent shall be implied by any other action, inaction or acquiescence by the Prepetition Agents, or if there is entered: (i) an order converting any of the Cases to a case under chapter 7 of the Bankruptcy Code; (ii) an order dismissing any of the Cases; or (iii) any modification or extension of this Order that materially impairs the rights of either of the Prepetition Agents or their respective Prepetition Lenders. If an order dismissing any of the Cases under section 1122 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code), to the fullest extent permitted by law, that (i) the DIP Liens, the Adequate Protection Liens, the DIP Superpriority Claim and the Adequate Protection Superpriority Claim granted, pursuant to the DIP Loan Documents and this Order, shall continue in full force and effect and maintain their priorities as provided in this Order until the DIP Obligations and Adequate Protection Obligations are indefeasibly paid in full in cash and (ii) the Bankruptcy Court shall retain jurisdiction, notwithstanding such dismissal, for the purposes of enforcing the claims, Liens, priorities and security interests as provided in this Order.

20. The time and manner of payment of the DIP Obligations, the DIP Liens and the DIP Superpriority Claim shall not be altered or impaired by any chapter 11 plan of reorganization, that may hereafter be confirmed or by any further order of the Bankruptcy Court which may hereafter be entered without the consent of the DIP Agents and the DIP Lenders.

21. Upon the occurrence of a DIP Order Event of Default and at any time thereafter during the continuance thereof, with five business days' prior written notice (an "**Enforcement Notice**") of such occurrence, in each case given to the Bowater Debtors and the Bowater Debtors' counsel, counsel to the Committee, the Prepetition Agents, and the U.S. Trustee, the

DIP Agents shall be entitled to exercise any and all rights and remedies as set forth in the DIP Loan Documents or under applicable law and the DIP Lenders shall be entitled to exercise set-off rights in accordance with the DIP Loan Documents or under applicable law; *provided however*, that notwithstanding anything to the contrary contained herein or in any DIP Loan Documents, the DIP Collateral Agent and the DIP Lenders shall not have the right to sell or otherwise dispose of any collateral on which the Prepetition Agents have a Lien senior to the Lien of any of the DIP Collateral Agent and the DIP Lenders, whether as a result of the Prepetition Liens or the Adequate Protection Liens. Any Enforcement Notice shall also be filed with the Bankruptcy Court and the Canadian Court. Following the giving of an Enforcement Notice, the Bowater Debtors, the Committee, the Prepetition Agents and the U.S. Trustee shall be entitled to an emergency hearing before this Bankruptcy Court to oppose the exercise of remedies; *provided* that the only issue that may be raised by the Bowater Debtors in opposition thereto shall be whether a DIP Order Event of Default has in fact occurred and is continuing, and the Bowater Debtors hereby waive their right to seek any relief, whether under section 105 of the Bankruptcy Code or otherwise, that would in any way impair, limit or restrict, or delay the exercise or benefit of, the rights and remedies of DIP Agents or the DIP Lenders under the DIP Loan Documents or this Order; *provided, further*, however, that in the event that the DIP Collateral Agent or any DIP Lender proposes to dispose of any real property on or in which there is located any Prepetition Collateral on which either of the Prepetition Agents has a first lien, then a reasonable period of time shall be given to such Prepetition Agent to remove or dispose of such collateral before effecting such disposition. Subject to the preceding sentence, at the expiration of the five business day period, unless otherwise ordered by the Bankruptcy Court, the DIP Agents shall be entitled to pursue all rights and remedies under the DIP Loan Documents or

applicable law and any DIP Lender shall be entitled to exercise set-off rights with the proceeds to be applied in accordance with the DIP Loan Documents and this Order without further order of the Bankruptcy Court. The automatic stay is hereby deemed modified to permit the pursuit of the remedies described in this paragraph 21. In no event shall the DIP Agents or the Prepetition Agents be subject to the equitable doctrine of “marshalling” or any similar doctrine with respect to the Collateral.

22. Nothing included herein shall prejudice, impair, or otherwise affect the rights of the DIP Agents, the DIP Lenders, the Prepetition Agents or the Prepetition Lenders to seek any other or supplemental relief in respect of the Bowater Debtors consistent with and subject to the provisions of this Order.

23. If any provision of this Order is hereafter modified, amended, vacated, reversed or stayed in any respect by subsequent order of this or any other court for any reason, such modification, amendment, vacation, reversal or stay shall not affect the validity of any Obligation or liability incurred pursuant to this Order.

24. The DIP Liens, DIP Superpriority Claim, Adequate Protection Liens and Adequate Protection Superpriority Claim granted to the DIP Agents and DIP Lenders under the DIP Facility and this Order, and to the Prepetition Agents and Prepetition Lenders under this Order, and the priority thereof, and any payments made pursuant to the DIP Facility and this Order, shall be binding (subject to the terms of this Order) on the Bowater Debtors, any successor trustee or examiner, and all creditors of the Bowater Debtors, as provided in section 364(e) of the Bankruptcy Code.

25. Notwithstanding anything herein or in any other order by the Bankruptcy Court to the contrary, no party may, and no borrowings, Cash Collateral, Prepetition Collateral, DIP

Collateral, portion of the proceeds of the DIP Facility or part of the Carve-Out may be used for any of the following (each, a “**Lender Claim**”) without the prior written consent of each affected party to: (a) object, contest or raise any defense to the validity, perfection, priority, extent or enforceability of any amount due under any DIP Loan Document or the Prepetition Credit Agreement or the Liens or claims granted under this Order, any DIP Loan Document or the Prepetition Credit Agreements, (b) assert any claim or cause of action against any entity that is a DIP Agents, DIP Lender, Prepetition Agent or Prepetition Lender (in their capacities as such) or their respective agents, affiliates, representatives, attorneys or advisors, (c) except as otherwise permitted herein, prevent, hinder or otherwise delay the DIP Collateral Agent’s or the Prepetition Agents’ assertion, enforcement or realization on the Cash Collateral, the Prepetition Collateral or the Collateral in accordance with the DIP Loan Documents, the Prepetition Credit Agreements or this Order, (d) assert or prosecute any action for preferences, fraudulent conveyances, other avoidance power claims or any other claims, counterclaims or causes of action, objections, contests or defenses against any Prepetition Lender or DIP Lender or their respective agents, affiliates, representatives, attorneys or advisors, or (e) seek to modify any of the rights granted to the DIP Agents, the DIP Lenders, the Prepetition Agents or the Prepetition Lenders hereunder or under the DIP Loan Documents or the Prepetition Credit Agreements, provided that advisors to the Committee may investigate the Prepetition Secured Indebtedness, and the Bowater Debtors may investigate the Prepetition Secured Indebtedness only to the extent of claims and causes of action identified in the proviso to paragraph L(viii), and, subject to paragraph 26(c) and to any applicable law with respect to standing, commence any related proceedings as a representative of the Bowater Debtors’ estates at an expense not to exceed USD 100,000 to be shared between the Committee and the Bowater Debtors.

26. (a) Each stipulation, admission and agreement contained in this Order shall be binding upon the Bowater Debtors and any successor thereto (including, any chapter 7 or chapter 11 trustee appointed or elected for any of the Bowater Debtors), and the Bowater Debtors are deemed to have irrevocably waived and relinquished all Lender Claims as of the date of entry of the Interim Order. Each stipulation, admission and agreement contained in this Order shall also be binding upon all other parties in interest, including the Committee, under all circumstances and for all purposes, except to the extent that (i) a party in interest has, subject to the limitations contained herein, including, *inter alia*, in paragraph 25, timely and properly filed an adversary proceeding or contested matter asserting a Lender Claim with respect to any of the stipulations or admissions set forth in this Order by no later than the date that is 120 days (or such later date as has been agreed to, in writing, by the DIP Agent and Prepetition Agents, or by order of the Bankruptcy Court for cause shown, as applicable) after the appointment of the Committee, and (ii) the Bankruptcy Court enters a final order in favor of the plaintiff sustaining such Lender Claim.

(b) The success of any particular Lender Claim shall not alter the binding effect on each party in interest of any stipulation or admission not subject to such Lender Claim. Except to the extent (but only to the extent) a timely and properly filed adversary proceeding or contested matter asserting a Lender Claim is successful, (i) the Prepetition Secured Indebtedness shall constitute allowed claims, not subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaims, defense or “claim” (as such term is defined in the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or other applicable law, for all purposes in the Cases and any subsequent chapter 7 cases, (ii) the security interests of the Prepetition Agents and Prepetition Lenders pursuant to the Prepetition Credit Agreements to the

extent securing the Prepetition Secured Indebtedness shall be deemed to have been, as of the Petition Date, legal, valid, binding perfected and enforceable liens and security interests not subject to avoidance, recharacterization, recovery, subordination, attack, offset, counterclaims, defense or “claim” (as such term is defined in the Bankruptcy Code) of any kind, and (iii) the Prepetition Secured Indebtedness and the security interests of the Prepetition Agents and Prepetition Lenders pursuant to the Prepetition Credit Agreements to the extent securing the Prepetition Secured Indebtedness shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of the Bowater Debtors’ estates, including, any successor thereto (including, any chapter 7 or chapter 11 trustee appointed or elected for any of the Bowater Debtors).

(c) Nothing in this Order vests or confers on any person (as defined in the Bankruptcy Code), including the Creditors Committee, with standing or authority to pursue any cause of action belonging to the Bowater Debtors or their estates, including, Lender Claims.

27. The DIP Agents’ or any DIP Lender’s failure to seek relief or otherwise exercise its rights and remedies under the DIP Facility or this Order, and the Prepetition Agents’ or any Prepetition Lender’s failure to seek relief or otherwise exercise its rights and remedies under this Order, shall not constitute a waiver of any of the DIP Agents’, the Prepetition Agents’ or such DIP Lender’s or Prepetition Lenders’ rights hereunder, thereunder, or otherwise.

28. Subject to the provisions of the DIP Loan Agreement, the Bowater Debtors, the DIP Agents and the Required Lenders (as defined in the DIP Loan Documents) may amend, and the DIP Agents and the DIP Lenders may waive, any provision of the DIP Loan Documents, without seeking the approval of the Bankruptcy Court; *provided* that such amendment or waiver is either nonprejudicial to the rights of the Prepetition Lenders and other third parties or is not

material, and that notice thereof be provided to the Prepetition Agents, counsel for the Prepetition Agents, counsel for the Committee and the U.S. Trustee no less than three business days prior to the effective date of such amendment or waiver (or such shorter period as to which such parties may agree). Except as otherwise set forth in the foregoing sentence, no waiver, modification, or amendment of any of the provisions hereof or of the DIP Loan Documents shall be effective unless set forth in writing and approved by the Bankruptcy Court.

29. Nothing in this Order or in any of the DIP Loan Documents or any other documents or agreements related to the DIP Facility shall in any way be construed or interpreted to impose upon the DIP Agents or any of the DIP Lenders, any liability for any claims or causes of action arising from activities by the Bowater Debtors or any of their affiliates prior to the Petition Date or subsequent to the Petition Date, whether in connection with the operation of their businesses, the Cases, any restructuring efforts prior to the commencement of the Cases, or otherwise. In no event shall the DIP Agents or any DIP Lender, whether in connection with the exercise of any rights or remedies under the DIP Loan Documents or otherwise, be deemed to be in control of the operations of the Bowater Debtors or to be acting as a “responsible person” or “owner or operator” with respect to the operation or management of the Bowater Debtors, so long as the DIP Lenders’ actions do not constitute, within the meaning of 42 U.S.C. §§ 901(20)(F), actual participation in the management or operational affairs of a vessel or facility owned or operated by a Bowater Debtor, or otherwise cause liability to arise to the federal or state government or the status of responsible person or managing agent to exist under applicable law (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, sections 9601 *et seq.* of title 29, United States Code, as amended, or any similar federal or state statute).

30. Nothing in this Order or in any of the DIP Loan Documents or any other documents or agreements related to the DIP Facility shall in any way be construed or interpreted to impose upon the Prepetition Agents or any of the Prepetition Lenders, any liability for any claims or causes of action arising from activities by the Bowater Debtors or any of their affiliates subsequent to the Petition Date or in connection with the negotiation of the DIP Loan Documents or this Order. In no event shall the Prepetition Agents or any Prepetition Lender, be deemed to be in control of the operations of the Bowater Debtors or to be acting as a “responsible person” or “owner or operator” with respect to the operation or management of the Bowater Debtors, so long as the Prepetition Lenders’ actions do not constitute, within the meaning of 42 U.S.C. §§ 901(20)(F), actual participation in the management or operational affairs of a vessel or facility owned or operated by a Bowater Debtor, or otherwise cause liability to arise to the federal or state government or the status of responsible person or managing agent to exist under applicable law (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, sections 9601 *et seq.* of title 29, United States Code, as amended, or any similar federal or state statute).

31. Any Subsidiary (as defined in the DIP Loan Agreement) of the Bowater Debtors that hereafter becomes a debtor in a case under chapter 11 of the Bankruptcy Code in this Bankruptcy Court shall automatically, immediately upon the filing of a petition for relief for such Subsidiary, be deemed (subject to footnote 3 below) to be one of the “Bowater Debtors” hereunder in all respects, and all the terms and provisions of this Order, including, those provisions granting security interests in, and Liens on, the DIP Collateral, DIP Superpriority Claims, Adequate Protection Obligations and Adequate Protection Superpriority Claims in each

of the Cases, shall immediately be applicable in all respects to such Subsidiary and its chapter 11 estate.

32. In the event of any inconsistency between the terms and conditions of any DIP Loan Document and of this Order, the provisions of this Order shall govern and control.

33. By no later than July 10, 2009 (or such later date as may be agreed by the Bowater Debtors, the DIP Lenders, the Prepetition Agents, advisors to the Committee, and subject to appropriate confidentiality agreements, advisors to Wilmington Trust Company, in its capacity as indenture trustee for the 7.95% Notes issued by Bowater Canada Finance Corporation (“WTC”) and advisors to Aurelius Capital Management, LP), representatives of the Bowater Debtors shall meet and confer with the DIP Lenders, the Prepetition Agents and advisors to the Committee to discuss an overview prepared by the Bowater Debtors of the Bowater Debtors’ periodic intercompany advances and intercompany obligations to each other and to the other Debtors. If by no later than August 7, 2009 (or such later date as may be agreed), the Bowater Debtors, the DIP Lenders, the Prepetition Agents and the Committee have not reached consensus on a methodology for reconciling intercompany advances and obligations (whether prepetition or postpetition and which may or may not include a true-up of postpetition intercompany balances), the DIP Lenders, the Prepetition Agents, the Committee, WTC or Aurelius Capital Management, LP each shall have the right to seek appropriate relief from the Bankruptcy Court.

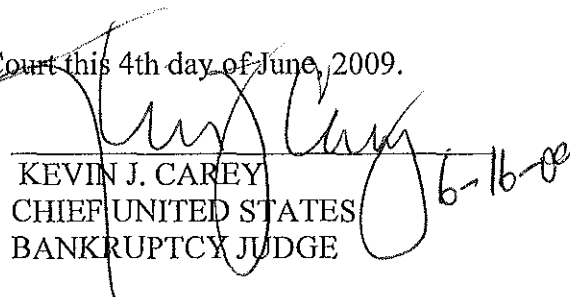
34. This Order shall constitute findings of fact and conclusions of law and shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Order. Specifically, pursuant to this Order, the ten day automatic stay periods of Bankruptcy Rule 6004 are expressly inapplicable to this Order and the transactions

including, without limitation, transfers contemplated hereby, and accordingly, this Order shall become operative immediately upon entry on the docket

35. Any objection which has not been withdrawn or resolved is, to the extent not withdrawn or resolved is, hereby overruled.

36. Notwithstanding anything to the contrary in this Order or the DIP Loan Documents to the contrary, (i) Bowater Canada Finance Corporation ("**BCFC**"), and its assets (except for the pledge of the stock of BCFC to the US Prepetition Agent), shall not be subject to any Liens, DIP Superpriority Claims or Adequate Protection Claims granted hereunder, (ii) the Debtors are prohibited from transferring any assets, proceeds of the Term Loan or any Cash Collateral to BCFC and (iii) BCFC shall be deemed to be expressly excluded from the defined term "Bowater Debtors" hereunder and shall not be a guarantor of the DIP Obligations. The Debtors are authorized to enter into such amendments to the DIP Loan Documents as requested by the DIP Lenders to incorporate and implement this paragraph 36.

SO ORDERED by the Bankruptcy Court this 4th day of June, 2009.



KEVIN J. CAREY
CHIEF UNITED STATES
BANKRUPTCY JUDGE 6-16-09