

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 500-11-036133-094

SUPERIOR COURT

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

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

ABITIBIBOWATER INC.,

And

ABITIBI-CONSOLIDATED INC.,

And

BOWATER CANADIAN HOLDINGS INC.,

And

the other Petitioners listed herein

Petitioners

and

ERNST & YOUNG INC.

Monitor

and

HER MAJESTY THE QUEEN IN RIGHT OF
CANADA

Mise-en-cause

**MOTION FOR THE ISSUANCE OF A SETTLEMENT APPROVAL ORDER
IN RESPECT OF THE PETITIONERS' NAFTA CLAIM**

TO THE HONOURABLE CLÉMENT GASCON J.S.C. OR ONE OF THE
HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF

MONTRÉAL, THE ABITIBI PETITIONERS RESPECTFULLY SUBMIT THE FOLLOWING:

I. PREAMBLE

1. On April 17, 2009, this Honourable Court (the "**Court**") issued an order (as subsequently amended, restated and re-amended, the "**Initial Order**") pursuant to the Companies' Creditors Arrangement Act (the "**CCAA**" and the "**CCAA Proceedings**") in respect of (i) Abitibi-Consolidated Inc. ("**ACT**") and subsidiaries thereof¹ (ii) Bowater Canadian Holdings Inc. and subsidiaries and affiliates thereof² and (iii) certain partnerships (collectively, the "**Petitioners**").³
2. Pursuant to the Initial Order, Ernst & Young Inc. (the "**Monitor**") was appointed as Monitor of the Petitioners and Partnerships under the CCAA.
3. On April 16, 2009, AbitibiBowater Inc. ("**ABH**"), Bowater Inc. and certain of their U.S. and Canadian subsidiaries (the "**U.S. Debtors**")⁴ filed voluntary

¹ These subsidiaries are Abitibi-Consolidated Company of Canada ("**ACCC**"), 3224112 Nova Scotia Limited, Marketing Donohue Inc., Abitibi-Consolidated Canadian Office Products Holdings Inc., 3834328 Canada Inc., 6169678 Canada Incorporated., 4042140 Canada Inc., Donohue Recycling Inc., 1508756 Ontario Inc., 3217925 Nova Scotia Company, La Tuque Forest Products Inc., Abitibi-Consolidated Nova Scotia Incorporated, Saguenay Forest Products Inc., Terra Nova Explorations Ltd., The Jonquière Pulp Company, The International Bridge and Terminal Company, Scramble Mining Ltd. and 9150-3383 Québec Inc. Abitibi-Consolidated (U.K.) Inc. was added as a CCAA Petitioner on November 10, 2009.

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

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

⁴ These subsidiaries are 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, Bowater Alabama LLC, Bowater America Inc., Bowater Canada Finance Corporation, Bowater Canadian Forest Products Inc., Bowater Canadian Holdings Incorporated, Bowater Canadian Limited, Bowater Finance Company Inc., Bowater Finance II LLC, Bowater LaHave Corporation, Bowater Maritimes Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Bowater South American Holdings Incorporated, Bowater Ventures Inc., Catawba Property Holdings, LLC, Coosa Pines Golf Club Holdings LLC, Donohue Corp., Lake Superior Forest Products Inc. and Tenex Data Inc. On December 21, 2009, ABH LLC 1 and ABH Holding Company LLC also commenced Chapter 11 cases, which are jointly administered with the Chapter 11 Proceedings.

petitions for relief under Chapter 11 of the U.S. Bankruptcy Code (the "**Chapter 11 Proceedings**") before the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**"). On April 17, 2009, ABH and certain of its subsidiaries⁵ obtained orders under s. 18.6 of the CCAA in respect of the Chapter 11 Proceedings.

4. Any undefined capitalized expressions used herein shall have the meaning set forth in the Settlement Agreement (as defined hereinafter).

II. ORDERS SOUGHT

5. The Petitioners hereby seek the issuance of orders (collectively, the "**Settlement Approval Order**"):

- (i) authorizing and approving the execution by ABH, ACI, Abitibi-Consolidated Company of Canada ("**ACCC**") and AbitibiBowater Canada Inc. ("**ABCI**") and collectively with ABH, ACI and ACCC "**Abitibi**") of a settlement agreement (the "**Settlement Agreement**") with Her Majesty the Queen in Right of Canada (the "**Government of Canada**") in connection with certain claims (the "**NAFTA Claims**") asserted by Abitibi against the Government of Canada under the *North American Free Trade Agreement* ("**NAFTA**"). An executed copy of the Settlement Agreement is communicated herewith as **Exhibit R-1**;

- (ii) a number of orders typically requested along with settlement approval orders;

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

III. BACKGROUND

6. On December 16, 2008, the Province of Newfoundland and Labrador (the "**Province**") introduced and passed *An Act to Return to the Crown Certain Rights Relating to Timber and Water Use Vested in Abitibi-Consolidated and To Expropriate Assets and Lands Associated with the Generation of Electricity Enabled By Those Water Rights* (the "**Act**"), a copy of which has already been communicated to this Court as Exhibit 2 to the *Motion to Contest the Motion for Access to the Electronic Data Room Created by the Petitioners* (the "**Data Room Contestation**") dated October 26, 2009.

⁵ These subsidiaries are AbitibiBowater US Holding 1 Corp., Bowater Ventures Inc., Bowater Incorporated, Bowater Nuway Inc., Bowater Nuway Mid-States Inc., Catawba Property Holdings LLC, Bowater Finance Company Inc., Bowater South American Holdings Incorporated, Bowater America Inc., Lake Superior Forest Products Inc., Bowater Newsprint South LLC, Bowater Newsprint South Operations LLC, Bowater Finance II, LLC, Bowater Alabama LLC and Coosa Pines Golf Club Holdings LLC.

7. The Act had the effect, *inter alia*, of immediately expropriating substantially all of the assets of Abitibi in the Province, canceling all water and hydroelectric agreements between the Province and Abitibi, canceling legal proceedings instituted by Abitibi against the Province and depriving Abitibi of any access to the Province's courts for redress in respect of the foregoing.
8. Among the assets expropriated by the Act were certain hydroelectric facilities which were only partially owned by Abitibi and subject to third party debt obligations. The interests of such third parties were similarly expropriated by the Act. Although the Act indicated that compensation would be paid in the discretion of the Province for certain of the assets expropriated, none has in fact been paid.
9. The following represent the most valuable assets among those which were expropriated by the Act:
 - (a) surface rights over an area of land representing approximately 713,060 acres;
 - (b) Abitibi's 51% interest in Star Lake Hydro Partnership, a joint venture with CHI Hydroelectric Company Inc. which owns and operates the Star Lake Hydroelectric Project;
 - (c) Abitibi's 49% interest in the Exploits River Hydro Partnership, a partnership with Central Newfoundland Energy Inc. which operates the Bishop's Falls hydroelectric facility and a part of the Grand Falls hydroelectric facility;
 - (d) Abitibi's remaining wholly-owned interest in the Grand Falls hydroelectric facilities; and
 - (e) Abitibi's wholly-owned interest in the Buchans hydroelectric facility.
10. On April 23, 2009, ABH filed a *Notice of Intent to Submit a Claim to Arbitration* under Chapter 11 in respect of its losses arising from the passage of the Act which were estimated at in excess of \$300 million. A copy of said Notice has already been communicated to this Court as Exhibit 3 to the Data Room Contestation.
11. Thereafter, Abitibi and the Government of Canada (the "**Parties**") engaged in substantial discussions regarding the NAFTA Claims. This included meetings with the Prime Minister's Office, the Department of Foreign Affairs and International Trade, the Departments of Finance, Defence, Environment and Industry, and other representatives of the Government of Canada. Discussions also took place with the Province. These negotiations did not lead to a resolution of the dispute.

12. On February 25, 2010, ABH (on its own behalf and on behalf of ACCC, ACI, and ABCI) formally initiated arbitration proceedings against the Government of Canada under NAFTA, in accordance with the United Nations Commission on International Trade Law ("UNCITRAL") arbitration rules.
13. In its Notice of Arbitration, ABH asserts that the expropriation of its interests under the Act was arbitrary, discriminatory and illegal, and seeks compensation for damages of approximately \$500 million, plus other costs and relief.
14. Since that time, the Parties have continued to engage in negotiations regarding the NAFTA Claims. On August 24, 2010, these negotiations culminated in the execution of the Settlement Agreement.
15. On May 18, 2010, the Quebec Court of Appeal rejected an application for leave to appeal of the Province from a judgment issued by this Court on March 31, 2010, which had rejected the Province's application for a declaration to the effect, *inter alia*, that five (5) ministerial orders issued pursuant s. 99 of to the Province's *Environmental Protection Act*, S.N.L. 2002, C-E-14.2 were not "claims" which could be compromised in the Petitioners' CCAA Proceedings. The Province has since filed an application for leave to appeal from the Court of Appeal judgment to the Supreme Court of Canada. It should be noted however, that the outcome of the decisions issued thus far in connection with the Province's alleged environmental claims have greatly facilitated the bringing of settlement negotiations with the Government of Canada to completion.

IV. SETTLEMENT TERMS

16. Pursuant to the terms of the Settlement Agreement, the Government of Canada has agreed to pay the sum of \$130 million to the reorganized Canadian operating company (the "New Company") upon emergence. While the Petitioners expect the New Company that will receive the settlement funds upon completion to be ACI as restructured under the Plan, the proposed Plan contemplates that the internal corporate restructuring may be amended on notice. It is for this reason that the recipient of the funds is designated as the "New Company" rather than ACI by name.
17. In consideration for the above payment, Abitibi has agreed to (i) irrevocably withdraw its Notice of Arbitration related to the Act, (ii) release and discharge the Government of Canada of and from the NAFTA Claims, and (iii) indemnify and hold harmless the Government of Canada with respect to the released claims, all as is more fully set forth in the Settlement Agreement.
18. The Settlement Agreement is contingent upon approval from both this Court and the U.S. Court and approval of both and the CCAA Plan and the

US Plan. Contemporaneously with the filing of this Motion, the U.S. Debtors filed a motion seeking authorization from the U.S. Court to enter into the Settlement Agreement.

19. The Settlement Agreement will not affect any claims by third parties in connection with the passage of the Act, including those of Abitibi's joint venture partners.

V. GROUNDS FOR THIS MOTION

20. The Petitioners submit that the Settlement Agreement is fair and reasonable and in the paramount interests of their creditors. Pursuant to the terms of the Settlement Agreement, the Government of Canada will appropriately compensate Abitibi and its affected subsidiaries for the rights and assets that were expropriated by the Act.
21. It is submitted that the proposed payment of \$130 million in settlement of the NAFTA Claims is adequate, taking into consideration the following:
 - (i) uncertainty inherent in adjudication: Abitibi believes that its case against the Government of Canada is strong in light of what it submits to be the Province's breach of Article 1110 of NAFTA for which the Government of Canada is at law responsible; however, certain facts of this case are unusual and have not been the subject of frequent adjudication. There remains uncertainty concerning the interpretation of NAFTA in these circumstances and the Government of Canada could decide to contest the matter;
 - (ii) costs associated with adjudication: the arbitration of this dispute will be a complex, expensive and time-intensive venture likely to divert considerable time and attention from management. The arbitration would involve both a written phase, including submission of extensive written pleadings supported by witness statements and expert reports, and an oral phase, consisting of one or more hearings to test the evidence. The Petitioners estimate that it could take two to four years to obtain a final arbitration award, with costs amounting to several millions of dollars;
 - (iii) uncertainty in connection with a valuation of the claim: closely-associated with the issue of costs is the fact that many of the assets expropriated by the Act are intangible assets needed to produce electricity (such as water rights) which may have little value independent of their use to generate electricity. In light of the uncertain regulatory regime in place in the Province, it is expected that complex disputes involving highly technical and fact-specific expert reports could arise concerning the very basis on which a valuation of these assets should be conducted;

- (iv) benefits conferred by an early settlement: the Settlement Agreement will provide the New Company with a substantial cash infusion of \$130 million as it emerges from bankruptcy, a factor which will reduce the amount of exit financing required upon emergence and thus reduce the risk to the restructuring associated with the task of sourcing adequate exit financing.
- 22. The Settlement Agreement was negotiated at arm's length and in good faith over a considerable period of time. It was carefully constructed by numerous interested parties at various levels of government within the Government of Canada and involved dozens of meetings between party representatives at all levels over many months.
- 23. In light of the foregoing, the Petitioners respectfully submit it is in their best interest and in that of their stakeholders that this Motion be granted in accordance with its conclusions.
- 24. The Petitioners further submit that the notices given of the presentation of this Motion are proper and sufficient.
- 25. This Motion is well founded in fact and in law.

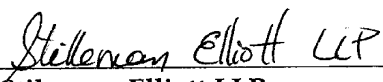
WHEREFORE, MAY THIS COURT:

- [1] **GRANT** the *Motion for the Issuance of a Settlement Approval Order in Respect of the AbitibiBowater NAFTA Claim* (the "**Motion**").
- [2] **EXEMPT**, if applicable, the Petitioners from having to serve this Motion and from any notice or delay of presentation.
- [3] **ORDER AND DECLARE** that the *Settlement Agreement* dated August 24, 2010 (the "**Settlement Agreement**") by and between AbitibiBowater Inc. ("**ABH**"), Abitibi-Consolidated Inc. ("**ACI**"), Abitibi-Consolidated Company of Canada ("**ACCC**") and AbitibiBowater Canada Inc. ("**ABCI**" and collectively with ABH, ACI and ACCC, "**AbitibiBowater**"), and the Government of Canada (the "**Government of Canada**" and collectively with AbitibiBowater, the "**Parties**"), a copy of which is attached to this Order as **Exhibit D**, is hereby approved.
- [4] **ORDER AND DECLARE** that the execution and delivery by ACI and ACCC of the Settlement Agreement, as well as all related documents and instruments executed or to be executed and delivered in connection therewith, are hereby ratified, authorized and approved, with such alterations, changes, amendments, deletions or additions thereto as may be agreed to by the Parties with the consent of the Monitor.
- [5] **ORDER AND DECLARE** that this Order shall constitute the only authorization required by ACI and ACCC to proceed with the settlement of

AbitibiBowater's dispute with the Government of Canada and that no shareholder or regulatory approval shall be required in connection therewith.

- [6] **ORDER AND DECLARE** that upon making the payment contemplated in paragraph 5 of the Settlement Agreement to the New Company (said term as defined in the Settlement Agreement), the Government of Canada shall be forever released and discharged of and from any and all claims whatsoever of any nature, character and description, whether contractual, quasi-delictual, legal or otherwise, whether known or unknown which ACI or ACCC or their creditors may have now or in the future by reason of the passage, on December 16, 2008, by the Government of Newfoundland and Labrador, of *An Act to Return to the Crown Certain Rights Relating to Timber and Timber and Water Use Vested in Abitibi-Consolidated and to Expropriate Assets and Lands Associated with the Generation of Electricity by Those Water Use Rights*.
- [7] **REQUEST** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian Federal Court or administrative body and other nations and states to give effect to this Order and to assist the Parties, Ernst & Young Inc. (the "**Monitor**") and their respective agents in carrying out the terms of this Order and any other Order in these proceedings. All Courts or administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Parties and/or the Monitor in any foreign proceedings and to assist the Parties and the Monitor and their respective agents in carrying out the terms of this Order and any other Order in these proceedings.
- [8] **ORDER AND DECLARE** that the Parties shall be at liberty to apply for such further and other directions as may be necessary to carry out the terms of this Order.
- [9] **WITHOUT COSTS.**

Montréal, August 24, 2010

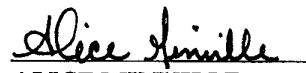

Stikeman Elliott LLP
Attorneys for the Petitioners

AFFIDAVIT

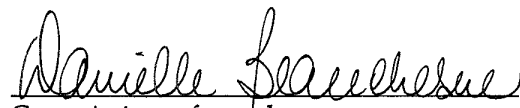
I, the undersigned, Alice Minville, having my principal place of business at Suite 800, 1155 Metcalfe Street, Montréal, Quebec, H3B 5H2 solemnly declare the following:

1. I am a Senior Legal Counsel of Abitibi-Consolidated Inc.;
2. All the facts alleged in the *Motion for the Issuance of a Settlement Approval Order in Respect of the AbitibiBowater NAFTA Claim* are true.

AND I HAVE SIGNED


ALICE MINVILLE

Solemnly declared before me at Montréal,
on the 24th day of August, 2010


Commissioner for oaths

Commissioner of Oaths
Districts of Longueuil and Montréal
142 518

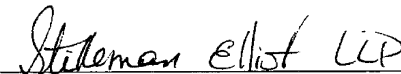
NOTICE OF PRESENTATION

TO : SERVICE LIST

TAKE NOTICE that the *Motion for the Issuance of a Settlement Approval Order in Respect of the AbitibiBowater NAFTA Claim* will be presented for adjudication before the Honourable Judge Clément Gascon of the Superior Court, sitting in practice in and for the District of Montréal, in the **Montréal Court House, 1 Notre-Dame Street East**, at a date and time to be announced to the Service List.

DO GOVERN YOURSELVES ACCORDINGLY.

Montréal, August 24, 2010


STIKEMAN ELLIOTT LLP
Attorneys for Petitioners

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

N° 500-11-036133-094

CANADA
PROVINCE OF QUEBEC
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HER MAJESTY THE QUEEN IN RIGHT OF CANADA

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BS0350 n/dos.: 041053-1170

**MOTION FOR THE ISSUANCE OF A SETTLEMENT
APPROVAL ORDER IN RESPECT OF THE
PETITIONERS' NAFTA CLAIM**

ORIGINAL

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EXHIBIT R-1

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into by and between AbitibiBowater Inc., a Delaware corporation, and its Canadian subsidiaries Abitibi-Consolidated Company of Canada, Abitibi-Consolidated Inc. and AbitibiBowater Canada Inc. (collectively “**AbitibiBowater**”), and Her Majesty the Queen in Right of Canada (“**the Government of Canada**”). AbitibiBowater and the Government of Canada are hereinafter referred to collectively as the “**Parties**”.

WHEREAS, on 16 December 2008, the Government of Newfoundland and Labrador (the “**Province**”) passed *An Act to Return to the Crown Certain Rights Relating to Timber and Water use Vested in Abitibi-Consolidated and to Expropriate Assets and Lands Associated with the Generation of Electricity Enabled by Those Water Use Rights* (the “**Act**”);

WHEREAS, on 16 April 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Court**”) for relief under the provisions of Chapter 11 of the United States Bankruptcy Code, as amended (the “**Chapter 11 Bankruptcy Proceedings**”);

WHEREAS, on 17 April 2009, certain of AbitibiBowater Inc.’s Canadian subsidiaries also sought creditor protection under the Companies’ Creditors Arrangement Act with the Superior Court of Quebec in Canada (the “**CCAA Proceedings**”);

WHEREAS AbitibiBowater is currently finalizing its restructuring process under the Chapter 11 Bankruptcy Proceedings and the CCAA Proceedings and intends to continue operations in Canada under a new corporate structure (the “**New Company**”);

WHEREAS, on 25 February 2010, AbitibiBowater Inc. served a Notice of Arbitration and Statement of Claim (the “**Notice of Arbitration**”) on the Government of Canada, pursuant to Articles 1116, 1117 and 1120 of the North American Free Trade Agreement (“**NAFTA**”) and Articles 3 and 18 of the Arbitration Rules of the United Nations Commission on International Trade Law (the “**UNCITRAL Rules**”), on its own behalf and on behalf of Abitibi-Consolidated Company of Canada, Abitibi-Consolidated Inc. and AbitibiBowater Canada Inc., seeking compensation under NAFTA Chapter 11 for damages arising out of the Act (the “**Claims**”);

WHEREAS, the Parties wish finally and irrevocably to settle the Claims;

NOW, THEREFORE, in consideration of the mutual promises, undertakings and representations contained in this Settlement Agreement, the Parties agree as follows:

1. AbitibiBowater Inc. hereby irrevocably and permanently withdraws its Notice of Arbitration served against the Government of Canada.
2. AbitibiBowater Inc. hereby releases and forever discharges the Government of Canada from the Claims.
3. AbitibiBowater, or any successor company, hereby waives any right to bring a NAFTA Chapter 11 claim against the Government of Canada for any loss arising out of the Act.
4. AbitibiBowater, or any successor company, shall indemnify and hold harmless the Government of Canada against any claim, action or proceeding that itself, its subsidiaries, parents, predecessors, successors or assigns, have initiated or may initiate against the Government of Canada relating to the Act. Nothing in this indemnification shall be interpreted as extending to any rights or claims of AbitibiBowater's partners in the Star Lake Hydro Partnership and the Exploits River Hydro Partnership and/or of lenders or creditors to those projects.
5. As consideration for the above-cited final settlement and waiver of any and all legal action by AbitibiBowater against the Government of Canada arising out of or related to the Act and/or claims by AbitibiBowater against the Government of Canada relating to the assets and rights cited therein, including those raised in the Notice of Arbitration, the Government of Canada shall make a payment of \$130 million (CAD), following the constitution of the New Company, representing not more than the fair market value of the rights and assets owned by AbitibiBowater expropriated under the Act. Payment made under this Settlement Agreement shall be made to the New Company.
6. This Settlement Agreement is conditional upon AbitibiBowater obtaining the approval of its terms by the Superior Court of Quebec in the CCAA Proceedings and by the U.S. Court in the Chapter 11 Bankruptcy Proceedings and court approval of AbitibiBowater's restructuring plan. AbitibiBowater shall apply for such approvals promptly. Should AbitibiBowater fail to obtain the approvals referred to in this paragraph 6, this Agreement shall become null and void and AbitibiBowater shall retain the full benefit of the Claims.

7. This Settlement Agreement shall not constitute a legal precedent for any person, and shall not be used except for the sole purpose of giving effect to its terms, and shall not prejudice or affect the rights or defenses of the Parties or the rights of any other person except to the extent provided herein.
8. The Parties agree each to bear their own legal costs and expenses and to pay in equal shares the fees and expenses of the Arbitral Tribunal constituted under NAFTA Chapter 11 to hear the dispute between the Parties and of the International Centre for the Settlement of Investment Disputes, incurred as of the date of signature of this Settlement Agreement.
9. The Parties agree jointly to request the incorporation in full of this Settlement Agreement in the form of a Consent Award, pursuant to NAFTA Article 1136 and Article 34(1) of the UNCITRAL Rules, to be issued by the Arbitral Tribunal constituted under NAFTA Chapter 11 to hear the dispute between the Parties, which will result in the formal and permanent discontinuance and termination of the NAFTA Chapter 11 arbitration proceedings commenced by AbitibiBowater with the filing of its Notice of Arbitration.
10. In accordance with NAFTA Annex 1137.4, the Parties agree to the publication of this Settlement Agreement and the resulting Consent Award.
11. The Parties shall communicate and cooperate with each other prior to any public disclosure of the transactions contemplated in this Agreement. If one party is required by law or the rules and regulations of any stock exchange upon which its securities are listed to disclose the content of this Agreement, then it shall consult with the other party and allow it to comment on the proposed communication prior to its issuance.
12. For the purpose of construction and interpretation of this Settlement Agreement the entire agreement shall be read and construed as a whole without giving any specific effect to any article separately.
13. This Settlement Agreement shall be executed in three original copies in counterparts, one original for each Party and one original for the Arbitral Tribunal, and shall take effect upon the court approval referred to in paragraph 6 being obtained and all relevant appeal periods for such approvals having lapsed, and the New Company being constituted.

14. This Settlement Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and such rules of international law as may be applicable.

IN WITNESS WHEREOF, the Parties have executed and delivered this Settlement Agreement on AUGUST 24, 2010.

AbitibiBowater Inc.

By: [Signature]

Title: PRESIDENT AND CEO

Dated: AUGUST 23, 2010

The Government of Canada

By: [Signature]

Title: DEPUTY MINISTER OF
INTERNATIONAL TRADE

Dated: AUGUST 24, 2010

Abitibi-Consolidated Company of Canada

By: [Signature]

Title: PRESIDENT

Dated: AUGUST 23, 2010

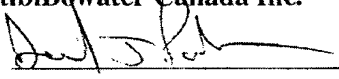
Abitibi-Consolidated Inc.

By: [Signature]

Title: PRESIDENT

Dated: AUGUST 23, 2010

AbitibiBowater Canada Inc.

By: 

Title: PRESIDENT

Dated: AUGUST 23, 2010

N°. 500-11-036133-094

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Mise-en-cause

BS0350 n/dos.: 041053-1170

EXHIBIT R-1

ORIGINAL

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