
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM **TO**

COMMISSION FILE NUMBER: 001-33776

RESOLUTE FOREST PRODUCTS INC.

(Exact name of registrant as specified in its charter)

Delaware

98-0526415

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification number)

111 Duke Street, Suite 5000; Montréal, Québec; Canada H3C 2M1

(Address of principal executive offices) (Zip Code)

(514) 875-2515

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.001 per share

New York Stock Exchange
Toronto Stock Exchange

(Title of class)

(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2014) was approximately \$1,094 million.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of January 30, 2015, there were 94,786,157 shares of Resolute Forest Products Inc. common stock, \$0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed within 120 days of December 31, 2014 are incorporated by reference in this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND USE OF THIRD-PARTY DATA

Statements in this Annual Report on Form 10-K (“Form 10-K”) that are not reported financial results or other historical information of Resolute Forest Products Inc. (with its subsidiaries and affiliates, either individually or collectively, unless otherwise indicated, referred to as “Resolute Forest Products,” “we,” “our,” “us” or the “Company”) are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements relating to our: efforts to continue to reduce costs and increase revenues and profitability, including our cost-reduction initiatives; business and operating outlook; future pension funding obligations; assessment of market conditions; prospects, growth strategies and the industry in which we operate; and strategies for achieving our goals generally, including the strategies described in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Our Business,” of this Form 10-K. Forward-looking statements may be identified by the use of forward-looking terminology such as the words “should,” “would,” “could,” “will,” “may,” “expect,” “believe,” “anticipate,” “attempt,” “project” and other terms with similar meaning indicating possible future events or potential impact on our business or Resolute Forest Products’ shareholders.

The reader is cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance. These statements are based on management’s current assumptions, beliefs and expectations, all of which involve a number of business risks and uncertainties that could cause actual results to differ materially. The potential risks and uncertainties that could cause our actual future financial condition, results of operations and performance to differ materially from those expressed or implied in this Form 10-K include, but are not limited to, the potential risks and uncertainties described in Part I, Item 1A, “Risk Factors.”

All forward-looking statements in this Form 10-K are expressly qualified by the cautionary statements contained or referred to in this section and in our other filings with the United States Securities and Exchange Commission (the “SEC”) and the Canadian securities regulatory authorities. We disclaim any obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

Market and Industry Data

The information on industry and general economic conditions in this Form 10-K was derived from third-party sources and trade publications we believe to be widely accepted and accurate. We have not independently verified the information and cannot assure you of its accuracy.

PART I

ITEM 1. BUSINESS

We are a global leader in the forest products industry, with a diverse range of products, including newsprint, specialty papers, market pulp and wood products. We own or operate some 40 pulp and paper mills and wood products facilities in the United States, Canada and South Korea, and power generation assets in Canada. Marketing our products in close to 80 countries, we have third-party certified 100% of our managed woodlands to at least one of three internationally-recognized sustainable forest management (“SFM”) standards.

Resolute Forest Products Inc., a Delaware corporation, was formed on January 25, 2007, from the merger of Abitibi-Consolidated Inc. (“Abitibi”) and Bowater Incorporated. Our common stock trades under the stock symbol “RFP” on both the New York Stock Exchange (the “NYSE”) and the Toronto Stock Exchange (the “TSX”).

Executive Officers

The following is information about our executive officers as of March 2, 2015:

Name	Age	Position	Officer Since
Richard Garneau	67	President and Chief Executive Officer	2011
Pierre Laberge	58	Senior Vice President, Human Resources	2011
John Lafave	50	Senior Vice President, Pulp and Paper Sales and Marketing	2011
Yves Laflamme	58	Senior Vice President, Wood Products, Procurement and Information Technology	2007
Jo-Ann Longworth	54	Senior Vice President and Chief Financial Officer	2011
André Piché	56	Senior Vice President, Pulp and Paper Operations	2014
Richard Tremblay	51	Senior Vice President, Pulp and Paper Operations	2014
Jacques P. Vachon	55	Senior Vice President, Corporate Affairs and Chief Legal Officer	2007

Mr. Garneau joined the board of directors in June 2010. Previously, Mr. Garneau served as president and chief executive officer of Catalyst Paper Corporation from March 2007 to May 2010. Prior to his tenure at Catalyst, Mr. Garneau served as executive vice president, operations at Domtar Corporation. He also held a variety of roles at Norampac Inc. (a joint-venture of Domtar Inc. and Cascades Inc.), Copernic Inc., Future Electronics Inc., St. Laurent Paperboard Inc., Finlay Forest Industries Inc. and Donohue Inc. Mr. Garneau is a member of the Chartered Professional Accountants of Canada.

Mr. Laberge previously served as senior vice president, human resources and public affairs from June 2011 to February 2012 and as vice president, human resources for our Canadian operations from January 2011 to May 2011.

Mr. Lafave previously served as vice president sales, national accounts – paper sales, vice president sales, national accounts – newsprint, vice president sales, commercial printers of Abitibi from 2004 to 2009. He held progressive positions in sales with UPM-Kymmene and Repap Enterprises.

Mr. Laflamme previously served as senior vice president, wood products from October 2007 to January 2011, as senior vice president, woodlands and sawmills of Abitibi from 2006 to October 2007, and as vice president, sales, marketing and value-added wood products operations of Abitibi from 2004 to 2005.

Ms. Longworth previously served as special advisor to the president and chief executive officer, focusing on special mandates, from July 4, 2011 to August 31, 2011. She served as senior vice president and chief accounting officer with World Color Inc. (formerly Quebecor World Inc.) from 2008 to 2010, as chief financial officer with Skyservice Inc. from 2007 to 2008, as vice president and controller with Novelis, Inc. from 2005 to 2006, and held a number of financial and operational roles over a 16-year career with Alcan Inc.

Mr. Piché previously served as interim senior vice president, pulp and paper operations from November 1, 2013 to February 4, 2014. He served as vice president, pulp and paper operations from October 2012 to October 2013, as vice president, operational excellence from November 2007 to September 2012, and as general manager between 1996 and 2007 of our Baie-Comeau, Laurentide, and Clermont mills, all of which are located in Québec.

Mr. Tremblay previously served as interim senior vice president, pulp and paper operations from November 1, 2013 to February 4, 2014. He served as vice president, pulp and paper operations from June 2011 to October 2013. Prior to joining Resolute Forest Products in June 2011, he served as general manager of several mills at Smurfit Stone Container Corporation between 2002 and 2011.

Mr. Vachon previously served as senior vice president and chief legal officer from January 2011 to February 2012, as senior vice president, corporate affairs and chief legal officer from October 2007 to January 2011, and as senior vice president, corporate affairs and secretary of Abitibi from 1997 to October 2007.

Our Products

We manage our business based on the products we manufacture. Our reportable segments correspond to our principal product lines: newsprint, specialty papers, market pulp and wood products. Certain segment and geographical financial information, including sales by segment and by geographic area, operating income (loss) by segment and long-lived assets by geographic area, can be found in Note 20, "Segment Information" to our consolidated financial statements and related notes ("Consolidated Financial Statements") appearing in Part II, Item 8, "Financial Statements and Supplementary Data," of this Form 10-K.

Newsprint

We produce newsprint at 10 facilities in North America and one facility in South Korea. With total capacity of approximately 2.6 million metric tons, or approximately 9% of total worldwide capacity, we are the largest producer of newsprint in the world by capacity. We are also the largest North American producer of newsprint, with capacity of approximately 2.4 million metric tons, or approximately 41% of total North American capacity. We sell newsprint to newspaper publishers all over the world and also to commercial printers in North America for uses such as inserts and flyers. In 2014, approximately 60% of our total newsprint shipments were to North American markets.

Specialty papers

We produce specialty papers at five facilities in North America. Our specialty papers segment is composed of uncoated mechanical papers, including supercalendered, superbright, high bright, bulky book and directory papers, as well as coated mechanical papers. With total capacity of approximately 1.1 million metric tons, or approximately 27% of total North American capacity, we are the largest producer of uncoated mechanical papers in North America, and the third largest in the world. Also, with 435,000 metric tons of capacity, or approximately 14% of total North American capacity, we are North America's third largest producer of coated mechanical papers. Our specialty papers are used in books, retail inserts, direct mail, coupons, magazines, catalogs and other commercial printing applications. We sell specialty papers to major commercial printers, direct mailers, publishers, catalogers and retailers, mostly in North America.

Market pulp

We produce market pulp at seven facilities in North America, with total capacity of approximately 1.7 million metric tons, or approximately 11% of total North American capacity, making us the third largest pulp producer in North America. Approximately 80% of our virgin pulp capacity is softwood-based: northern bleached softwood kraft pulp, southern bleached softwood kraft pulp and fluff pulp. We are also the largest producer of recycled bleached kraft pulp and a competitive producer of northern bleached hardwood kraft pulp and southern bleached hardwood kraft pulp. Wood pulp is the most commonly used material to make paper. Pulp not converted into paper is sold as market pulp, which is used to make a range of consumer products including tissue, packaging, specialty paper products, diapers and other absorbent products. Approximately 26% of our 2014 market pulp shipments were exported outside of North America, including significant exports to Europe, Asia and Latin America.

Wood products

We operate 15 sawmills in Canada that produce construction-grade lumber sold in North America, mostly on the east coast. Our sawmills produce dimension spruce-pine-fir lumber and are a major source of wood chips for our pulp and paper mills and wood residue we use as fuel in our power cogeneration assets and other operations. In 2014, we shipped 1.5 billion board feet of construction-grade lumber within North America. We also operate two remanufactured wood products facilities in Canada that produce bed frame components, finger joints and furring strips, two engineered wood products facilities in Canada that produce I-joists for the construction industry, and one wood pellet facility in Canada.

For additional information on our corporate strategy, see "Our Business" under Item 7.

Pulp and paper manufacturing facilities

The following table lists the pulp and paper manufacturing facilities and the number of paper machines we owned or operated as of December 31, 2014, excluding facilities and paper machines that have been permanently closed as of December 31, 2014. The table presents our total 2014 production by product line (which represents all of our reportable segments except wood products), reflecting the impact of any downtime taken in 2014, and our 2015 capacity.

<i>(In 000s of metric tons)</i>	Number of Paper Machines	2015 Total Capacity	2014 Total Production	2014 Production By Product Line		
				Newsprint	Specialty Papers	Market Pulp
Canada						
Alma, Québec	3	349	336	—	336	—
Amos, Québec	1	197	174	174	—	—
Baie-Comeau, Québec	2	340	304	304	—	—
Clermont, Québec ⁽¹⁾⁽²⁾	2	226	335	335	—	—
Dolbeau, Québec	1	141	141	—	141	—
Gatineau, Québec	1	186	163	163	—	—
Kénogami, Québec	1	134	131	—	131	—
Saint-Félicien, Québec	—	356	302	—	—	302
Thorold, Ontario	1	197	151	151	—	—
Thunder Bay, Ontario	1	564	512	200	—	312
United States						
Augusta, Georgia	2	408	372	372	—	—
Calhoun, Tennessee	3	610	513	33	392	88
Catawba, South Carolina	2	719	656	—	452	204
Coosa Pines, Alabama	—	271	258	—	—	258
Fairmont, West Virginia	—	218	149	—	—	149
Grenada, Mississippi	1	246	227	227	—	—
Menominee, Michigan	—	178	126	—	—	126
Usk, Washington ⁽³⁾	1	244	197	197	—	—
South Korea						
Mokpo, South Korea	1	200	169	169	—	—
Other						
Permanently closed facilities and paper machines ⁽⁴⁾			420	272	148	—
	23	5,784	5,636	2,597	1,600	1,439

⁽¹⁾ Donohue Malbaie Inc. (“DMI”), which owns one of Clermont’s paper machines, is owned 51% by us and 49% by NYT Capital Inc. We manage the facility and wholly own all of the other assets at the site. Manufacturing costs are transferred between us and DMI at agreed-upon transfer costs. DMI’s paper machine produced 214,000 metric tons of newsprint in 2014. The amounts in the above table represent the mill’s total capacity and production including DMI’s paper machine.

⁽²⁾ On February 9, 2015, we permanently closed a paper machine in Clermont, following the announcement made on December 5, 2014 (representing approximately 122,000 metric tons of newsprint capacity).

⁽³⁾ Ponderay Newsprint Company is located in the state of Washington and is an unconsolidated partnership in which we have a 40% interest and, through a wholly-owned subsidiary, we are the managing partner. The balance of the partnership is held by affiliates of three newspaper publishers. The amounts in the above table represent the mill’s total capacity and production.

⁽⁴⁾ In 2014, we permanently closed our Fort Frances, Ontario, Iroquois Falls, Ontario, and Laurentide facilities, as well as paper machines in Baie-Comeau and Catawba. For additional information, see Note 5, “Closure Costs, Impairment and Other Related Charges,” to our Consolidated Financial Statements.

Wood products facilities

The following table lists the sawmills we owned or operated as of December 31, 2014, excluding facilities that have been permanently closed as of December 31, 2014. The table presents our total 2014 production, reflecting the impact of any downtime taken in 2014, and our 2015 capacity. We do not have access to enough timber to operate most of the sawmills at their total mechanical capacity.

<i>(In million board feet)</i>	2015 Total Capacity	2014 Total Production
Atikokan, Ontario ⁽¹⁾	145	—
Comtois, Québec	145	114
Girardville-Normandin, Québec	218	199
Ignace, Ontario ⁽²⁾	115	1
La Doré, Québec	185	185
La Tuque, Québec ⁽³⁾	175	118
Maniwaki, Québec	160	93
Mistassini, Québec	175	167
Obedjiwan, Québec ⁽⁴⁾	65	34
Pointe-aux-Outardes, Québec	175	113
Saint-Félicien, Québec	160	113
Saint-Hilarion, Québec	85	34
Saint-Ludger-de-Milot, Québec ⁽⁵⁾	135	101
Saint-Thomas, Québec	75	75
Senneterre, Québec	155	86
Thunder Bay, Ontario	300	273
	2,468	1,706

⁽¹⁾ Our Atikokan facility is expected to start the ramp-up process of its operations in the second quarter of 2015.

⁽²⁾ On December 1, 2014, our Ignace facility started the ramp-up process of its operations.

⁽³⁾ Forest Products Mauricie L.P. is located in La Tuque and is a consolidated subsidiary in which we have a 93.2% interest. The amounts in the above table represent the mill's total capacity and production.

⁽⁴⁾ Société en Commandite Scierie Opitciwan is located in Obedjiwan and is an unconsolidated entity in which we have a 45% interest. The amounts in the above table represent the mill's total capacity and production.

⁽⁵⁾ Produits Forestiers Petit-Paris Inc. is located in Saint-Ludger-de-Milot and is an unconsolidated entity in which we have a 50% interest. The amounts in the above table represent the mill's total capacity and production.

The following table lists the remanufactured wood, engineered wood and wood pellet products facilities we owned or operated as of December 31, 2014 and their respective 2015 capacity and 2014 production.

<i>(In million board feet, except where otherwise stated)</i>	2015 Total Capacity	2014 Total Production
Remanufactured Wood Products Facilities		
Château-Richer, Québec	66	62
La Doré, Québec	16	14
Total Remanufacturing Wood Facilities	82	76
Engineered Wood Products Facilities		
Larouche and Saint-Prime, Québec (million linear feet) ⁽¹⁾	145	103
Wood Pellet Products Facility		
Thunder Bay, Ontario (in thousands of metric tons) ⁽²⁾	45	2

⁽¹⁾ Abitibi-LP Engineered Wood Inc. and Abitibi-LP Engineered Wood II Inc. are located in Larouche and Saint-Prime, respectively, and are unconsolidated entities in which we have a 50% interest in each entity. We operate the facilities

and our joint venture partners sell the products. The amounts in the above table represent the mills' total capacity and production.

- (2) On October 27, 2014, our Thunder Bay wood pellet facility started the ramp-up process of its operations. The facility has a ten-year agreement to supply the local power utility with 45,000 metric tons of pellets annually.

Other products

We also sell green power produced from renewable sources, wood chips and other wood related products to customers located in Canada and the United States. Sales of these other products are considered a recovery of the cost of manufacturing our primary products.

Raw Materials

Our operations consume substantial amounts of raw materials such as wood, recovered paper (old newspapers, old magazines and sorted office paper), chemicals and energy in the manufacturing of our paper, pulp and wood products. We purchase raw materials and energy sources (to complement internal generation) primarily on the open market.

Wood

Our sources of wood include purchases from local producers, including sawmills that supply residual wood chips, wood harvested from timber supply guarantees, property on which we possess harvesting rights, and property we own or lease. In Québec, new legislation has replaced the use of timber supply and forest management agreements with timber supply guarantees on Crown-owned land as of April 1, 2013. As a result, we no longer own long-term harvesting rights contracts in Québec but instead are allocated a certain volume of supply through timber supply guarantees. These guarantees are five years in length and are renewable, subject to certain conditions. As of December 31, 2014, we were allocated 4.4 million cubic meters of supply through the timber supply guarantees. In Ontario, we had long-term harvesting rights for approximately 11.4 million acres of Crown-owned land, as of December 31, 2014. The harvesting rights licenses in Ontario are 20 years in length and automatically renew every five years, contingent upon our continual compliance with environmental performance and reforestation requirements.

We depend heavily on harvesting rights and timber supply guarantees over crown land in Ontario and Québec, respectively. In particular, the volume of harvest permitted under these licenses is subject to limits, sometimes referred to as the "annual allowable cut," which are reviewed regularly, typically every five years. Between 2006 and 2011, the chief forester of the province of Québec ordered reductions to the allowable harvest of approximately 34% in Québec. Also, as of April 1, 2013, about 25% of the then remaining timber supply guarantees allocated in Québec were transferred to an open auction system that was implemented in 2013. In 2014, the chief forester revised the annual allowable cut, effective April 1, 2015, increasing supply through our timber supply guarantees by 0.1 million cubic meters.

We have sought out independent certification for 100% of the forests that we manage or on which we hold significant harvesting rights in order to demonstrate our strong belief that it is possible to carefully harvest trees while maintaining biodiversity and protecting the forest values important to a range of stakeholders. The woodlands that we manage are all independently certified to one or more of the three internationally-recognized SFM standards in use in Canada: Sustainable Forestry Initiative® ("SFI®"), Forest Stewardship Council® ("FSC®") and Canadian Standards Association. In 2014, we successfully renewed SFI certificates for all of our managed woodlands in Québec and maintained our SFI SFM certification across Ontario. In addition, we continue to be one of the largest holders of FSC SFM certificates in North America and have successfully renewed our FSC certificates in several areas, including the Mauricie, Abitibi and North Shore regions of Québec. However, a previously stated goal to certify 80% of our managed forests to the FSC standard is no longer realistic or appropriate considering recent developments and interpretations. We received notice of three temporary suspensions under the FSC National Boreal Standard in 2013, and one of those certificates (Mistassini-Péribonka, Québec) expired on December 3, 2014. All of the areas in question remain certified under the SFI standard, and we remain fully committed to 100% certification to one or more of the three internationally-recognized SFM standards in use in Canada. Additionally, we have instituted fiber-tracking systems at all of our North American facilities (with the exception of our new Atikokan and Ignace sawmills that will be implemented in 2015) to ensure that our wood fiber supply comes from acceptable sources such as certified forests and legal harvesting operations. These systems are third-party certified according to one or more of three internationally-recognized chain of custody standards, namely SFI, FSC and Programme for the Endorsement of Forest Certification ("PEFC"). For both our internal and external wood and fiber sources, 100% is procured through the FSC Controlled Wood standard, the PEFC due diligence requirements or the SFI fiber sourcing requirements, and in some cases a combination of these standards.

We strive to improve our forest management and wood fiber procurement practices and we encourage our wood and fiber suppliers to demonstrate continual improvement in forest resource management, wood and fiber procurement and third-party certification.

On October 12, 2006, an agreement regarding Canada's softwood lumber exports to the U.S. became effective (the "2006 Softwood Lumber Agreement"). The 2006 Softwood Lumber Agreement provides for, among other things, softwood lumber to be subject to one of two ongoing border restrictions, depending upon the province of first manufacture with several provinces being exempt from these border restrictions. Volume quotas have been established for each company within the provinces of Ontario and Québec based on historical production, and the volume quotas are not transferable between provinces. Quota volume restrictions are lifted if U.S. composite prices rise above \$355 composite per thousand board feet. On January 23, 2012, Canada and the U.S. announced a two-year extension to the 2006 Softwood Lumber Agreement, through October 2015. There is no assurance that the 2006 Softwood Lumber Agreement will be renewed or, if it is renewed, that we could benefit from provisions under Article XII of the agreement for an exemption in light of Québec's new forest tenure system implemented in 2013, that export duties will not be increased from current ranges or that other thresholds in the 2006 Softwood Lumber Agreement, such as differential trigger prices, surge limits, and quotas, will not change in a manner that could adversely affect us.

Recovered paper

We are one of the largest consumers of recycled fiber in North America and have a number of de-inking plants that use advanced mechanical and chemical processes to manufacture high quality pulp from recovered paper. Using recovered paper, we produce, among other things, recycled newsprint comparable in quality to paper produced with 100% virgin fiber pulp. The Thorold and Mokpo newsprint operations, and the Menominee and Fairmont pulp operations, produce products containing 100% recycled fiber. In 2014, we used 1 million metric tons of recovered paper in our production processes and the recycled fiber content in the newsprint we produced averaged 18%.

Energy

Steam and electrical power constitute the primary forms of energy used in pulp and paper production. Process steam is produced in boilers using a variety of fuel sources, as well as heat recovery units in mechanical pulp facilities. All of our mills produce 100% of their own steam requirements, with the exception of our Thorold mill. In 2014, our Alma, Calhoun, Catawba, Coosa Pines, Dolbeau, Gatineau, Kénogami, Saint-Félicien and Thunder Bay operations collectively consumed approximately 47% of their electrical requirements from internal sources, notably on-site cogeneration and hydroelectric dams. The balance of our energy needs was purchased from third parties. We have seven sites that operate cogeneration facilities and all of these sites generate primarily "green energy" from carbon-neutral biomass. In addition, we utilize alternative fuels such as methane from landfills, used oil and tire-derived fuel to reduce consumption of fossil fuels.

As of December 31, 2014, we had one hydroelectric generation and transmission network (Hydro-Saguenay in the Saguenay region of Québec), which consisted of seven generating stations with 170 MW of capacity and generation of 1,162 GWh. The water rights agreements required to operate some of these facilities typically range from 10 to 25 years and are generally renewable, under certain conditions, for additional terms. In some cases, the agreements are contingent on the continued operation of the related paper mills and a minimum level of capital spending in the region. For the other facilities, the right to generate hydroelectricity stems from our ownership of the bed of the river on which these facilities are located.

Competition

In general, our products are globally-traded commodities and are marketed in some 80 countries. The markets in which we compete are highly competitive and, aside from quality specifications to meet customer needs, the production of our products does not depend upon a proprietary process or formula. Pricing and the level of shipments of our products are influenced by the balance between supply and demand as affected by global economic conditions, changes in consumption and capacity, the level of customer and producer inventories and fluctuations in currency exchange rates. Any material decline in prices for our products or other adverse developments in the markets for our products could have a material adverse effect on our results of operations or financial condition. Prices for our products have been and are likely to continue to be highly volatile.

Newsprint, one of our principal products, is produced by numerous manufacturers worldwide. In 2014, the five largest North American producers represented approximately 80% of North American newsprint capacity and the five largest global producers represented approximately 33% of global newsprint capacity. Our total newsprint capacity is approximately 9% of worldwide newsprint capacity. We face competition from both large global producers and numerous smaller regional producers. Price, quality and customer relationships are important competitive determinants.

Our specialty papers, including uncoated mechanical papers and coated mechanical papers, compete on the basis of price, quality, service and breadth of product line. With approximately 27% of North American uncoated mechanical papers capacity, we are the largest producer of uncoated mechanical papers in North America and the third largest in the world. We compete with numerous uncoated mechanical paper producers, with the five largest North American producers representing 76% of the North American uncoated mechanical papers capacity and the five largest global producers representing 51% of global uncoated mechanical papers capacity in 2014. In addition, imports from overseas accounted for approximately 9% of North

American uncoated mechanical paper demand in 2014. We also compete with a number of other coated mechanical paper producers with operations in North America. In 2014, the five largest North American producers represented approximately 86% of North American capacity for coated mechanical papers. We compete with numerous worldwide suppliers of other grades of paper such as coated freesheet and supercalendered paper. Imports of coated mechanical papers accounted for approximately 9% of North American demand in 2014.

We compete with a number of other major market pulp producers with operations in North America. Market pulp is a globally-traded commodity for which competition exists in all major markets. We produce six major grades of market pulp (northern and southern hardwood, northern and southern softwood, recycled bleached kraft and fluff) and compete with other producers from South America (eucalyptus hardwood and radiata pine softwood), Europe (northern hardwood and softwood) and Asia (mixed tropical hardwood). Price, quality, service and fiber sources are considered the main competitive determinants.

As with other global commodities, the competitive position of our products is significantly affected by fluctuations in foreign currency exchange rates. For additional information, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk – Foreign Currency Exchange Risk,” of this Form 10-K.

Trends in advertising, electronic data transmission and storage, and the Internet are expected to have further adverse effects on the demand for traditional print media, including our products and those of our customers. For additional information, see Item 1A, “Risk Factors – Developments in alternative media are expected to continue to adversely affect the demand for some of our key products, especially in North America, and our responses to these developments may not be successful,” of this Form 10-K.

Emergence From Creditor Protection Proceedings

AbitibiBowater Inc. (our predecessor entity) and all but one of its debtor affiliates successfully emerged from creditor protection proceedings under Chapter 11 of the United States Bankruptcy Code, as amended (“Chapter 11”) and the *Companies’ Creditors Arrangement Act* (Canada) (the “CCAA”), as applicable (collectively, the “Creditor Protection Proceedings”) on December 9, 2010. The wholly-owned subsidiary operating the Mokpo, South Korea operations and almost all of the less than wholly-owned subsidiaries operated outside of the Creditor Protection Proceedings. We refer to AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries as the “Debtors.” We refer to the Chapter 11 *Debtors’ Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code* and the CCAA Debtors’ *CCAA Plan of Reorganization and Compromise*, in each case as amended and including all exhibits and supplements thereto, together as the “Plans of Reorganization,” each as a “Plan of Reorganization” and individually as the “Chapter 11 Reorganization Plan” and the “CCAA Reorganization Plan,” respectively. Pursuant to the Plans of Reorganization, all disputed claims have been definitively resolved. The Debtors’ Chapter 11 cases are closed; the CCAA proceedings have yet to be closed as the monitor is continuing to assist in certain post-emergence court proceedings.

Employees

As of December 31, 2014, we employed approximately 7,700 people, of whom approximately 5,300 were represented by bargaining units, primarily the Unifor Union and the Confederation of National Trade Unions (the “CNTU”) in Canada and predominantly by the United Steelworkers International (the “USW”) in the U.S.

On February 17, 2014, we announced a five year renewal of the master collective agreement covering four unionized U.S. pulp and paper mills. The agreement covers about 1,400 employees, represented by the USW, the International Brotherhood of Electrical Workers (the “IBEW”) and the United Association of Journeymen and Apprentices of the Plumbing, Pipefitting and Sprinkler Fitting Industry of the U.S. and Canada. The four mills represent 35% of our pulp and paper production capacity.

We entered into an agreement with the Unifor Union on May 22, 2014, to renew the collective agreements for a four-year period. This agreement was replicated with the IBEW, the United Association of Plumbers and Steamfitters and the International Union of Operating Engineers. Collectively, these agreements cover nearly 1,300 employees across eight pulp and paper mills in Canada, accounting for over 37% of our pulp and paper capacity.

On September 22, 2014, we entered into an agreement with the Unifor Union to renew the collective agreements for periods of four to six years, covering approximately 500 employees in four sawmills in Canada.

On January 20, 2015, we reached a four-year agreement with the USW, covering approximately 400 employees in three woodlands operations in Northwestern Ontario.

Collective agreements covering approximately 500 employees in Canada, affecting two of our pulp and paper operations, are scheduled to expire in 2015. We also have collective agreements covering approximately 1,500 employees in eight sawmills and four woodlands operations in Canada that have either expired or are scheduled to expire in 2015. While we intend to negotiate to renew collective agreements, there can be no assurance that we will be able to renew agreements on satisfactory

terms, or that we will maintain continuously satisfactory agreements with all of our unionized employees. Should we be unable to do so, it could result in strikes, work stoppages or disturbances by affected employees, which could cause us to experience a disruption of operations and affect our business, financial condition or results of operations.

Trademarks

We have registrations or pending applications for the trademarks “RESOLUTE” and “resolute Forest Products & Design” in the countries of our principal markets, as well as “RESOLUTE FOREST PRODUCTS” and “R Design” in Canada and the United States, and “RÉSOLU” and “Produits forestiers résolu & Design” in Canada. We consider our interest in the marks and logos to be important and necessary to the conduct of our business.

Environmental Matters

We are subject to a variety of federal, state, provincial and local environmental laws and regulations in the jurisdictions in which we operate. We believe our operations are in material compliance with current applicable environmental laws and regulations. While it is impossible to predict future environmental regulations that may be established, we believe that we will not be at a competitive disadvantage with regard to meeting future Canadian, United States or South Korean standards. For additional information, see Note 16, “Commitments and Contingencies – Environmental matters,” to our Consolidated Financial Statements.

Internet Availability of Information

We make our Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and any amendments to these reports, available free of charge on our website (www.resolutefp.com) as soon as reasonably practicable after we file or furnish such materials to the SEC. The SEC also maintains a website (www.sec.gov) that contains our reports and other information filed with the SEC. In addition, any materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C., 20549. Information on the operations of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Our reports are also available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) website (www.sedar.com).

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-K, you should carefully consider the following factors, which could materially affect our business, financial condition or future results. In particular, the risks described below could cause actual events to differ materially from those contemplated in the forward-looking statements in this Form 10-K. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially affect our business, financial condition or future results.

Developments in alternative media are expected to continue to adversely affect the demand for some of our key products, especially in North America, and our responses to these developments may not be successful.

Trends in advertising, electronic data transmission and storage, and the Internet are expected to have further adverse effects on the demand for traditional print media, including our products and those of our customers. Neither the timing nor the extent of those trends can be predicted with certainty. Our newspaper, magazine, book and catalog publishing customers could increase their use of, and indeed compete with, other forms of media and advertising and electronic data transmission and storage, such as television, electronic readers and websites. This could then reduce their consumption of newsprint, commercial printing papers or other products we manufacture. The demand for some of our products has weakened significantly over the last several years; for example, according to industry statistics, North American newsprint demand fell by 6% in 2010, 7% in 2011, 1% in 2012, 10% in 2013 and 9% in 2014. This trend, which similarly affects our specialty papers, could continue as a result of developments in alternative media, lower North American newspaper circulation, weaker advertising, grade substitution and conservation measures taken by publishers and retailers.

We could be required to record significant additional closure costs and long-lived asset impairment or accelerated depreciation charges.

We have responded to the changing market dynamics by optimizing assets and streamlining our production. If demand for our products continues to decline, or if the pace of decline accelerates, it may be necessary to curtail production even further, or permanently shut down more machines and facilities. In addition to the potential loss of production, curtailments and shutdowns could result in asset impairments or accelerated depreciation and cash closure costs for the affected facilities, including restructuring charges and exit or disposal costs, which could negatively impact our cash flows and materially affect our results of operations and financial condition.

Losses related to the impairment of long-lived assets to be held and used are recognized when circumstances indicate the carrying value of an asset group may not be recoverable, such as continuing losses or demand declines in certain businesses. When indicators that the carrying value of an asset group may not be recoverable are triggered, we evaluate the carrying value of the asset group in relation to its expected undiscounted future cash flows. If the carrying value of an asset group is greater than the expected undiscounted future cash flows to be generated by the asset group, an impairment charge is recognized based on the excess of the asset group's carrying value over its fair value. If it is determined that the carrying value of an asset group is recoverable, we review and adjust, as necessary, the estimated useful lives of the assets in the group. If there were to be a triggering event, it is possible that we could record non-cash long-lived asset impairment or accelerated depreciation charges in future periods, which would be recorded as operating expenses and would directly and negatively impact our reported results of operations.

Currency fluctuations can adversely affect our competitive position, selling prices and manufacturing costs.

We compete with producers from around the world, particularly North America, Europe and South America, in most of our product lines with the exception of wood products, where we compete with other North American producers. We sell our products mainly in transactions denominated in U.S. dollars, but we also sell in certain local currencies, including the euro, the pound sterling and the Canadian dollar. In addition to the impact of product supply and demand, changes in the relative strength or weakness of these currencies, particularly the U.S. dollar, could also affect international trade flows in these products. A stronger U.S. dollar might attract imports, thereby increasing product supply and possibly creating downward pressure on prices. On the other hand, a weaker U.S. dollar might encourage U.S. exports but also increase manufacturing costs in Canadian dollars, or other foreign currencies.

Variations in exchange rates could also significantly affect our competitive position. In 2014, for example, the strength of the U.S. dollar against certain European currencies and the rapidly devaluating Russian ruble negatively affected the competitive position of North American newsprint producers selling in certain U.S. dollar-denominated international newsprint markets, like Asia. Some of our European and Russian competitors were able to price business more aggressively in those markets as a result of the relative weakness of their local currency, which negatively affected our ability to compete, forcing us to take steps to limit our exposure to these markets.

We are particularly sensitive to changes in the value of the Canadian dollar versus the U.S. dollar. The actual impact of these changes depends primarily on the proportion of our production and sales that occur in Canada, the proportion of our financial assets and liabilities denominated in Canadian dollars, and the magnitude, direction and duration of changes in the exchange rate. We expect exchange rate fluctuations to continue to impact costs and revenues, but we cannot predict the magnitude or direction of this effect for any period, and there can be no assurance of any future effects. In 2013 and 2014, the Canadian dollar fluctuated between a low of US\$0.86 in December of 2014 and a high of US\$1.02 in January of 2013. Based on operating projections for 2015, if the Canadian dollar strengthens by one cent against the U.S. dollar, we expect that it will decrease our annual operating income by approximately \$12 million, and *vice versa*.

Furthermore, certain other assets and liabilities, including a substantial portion of our net pension and other postretirement benefit obligations and our deferred income tax assets, are denominated in Canadian dollars. As a result, our earnings can be subject to the potentially significant effect of foreign currency translation gains or losses in respect of these Canadian dollar net monetary assets. In this case, a strengthening of the Canadian dollar against the U.S. dollar in any given period would generally cause a foreign currency translation gain, and a weakening of the Canadian dollar would generally lead to a foreign currency translation loss.

Our business is subject to global economic conditions; soft conditions could cause a number of the risks we face to increase in likelihood, magnitude and duration.

Our operations and performance depend significantly on worldwide economic conditions. During the global financial crisis and the slow recovery that has followed, customers across all of our businesses delayed and reduced expenditures in response to deteriorating macroeconomic and industry conditions and uncertainty, which has had a significant negative impact on the demand for our products and therefore, the cash flows of our businesses. If global economic conditions were to soften again, we would expect higher unemployment and lower gross domestic product growth rates to further affect demand for newsprint, specialty papers and pulp. We believe that in the last downturn, many end consumers reduced newspaper and magazine subscriptions as a direct result of their financial circumstances, contributing to lower demand for our products by our customers. Advertising demand in magazines and newspapers, including classified advertisements, and demand from automotive dealerships and real estate agencies was also impacted by higher unemployment, lower automobile sales and the tepid real estate environment. Lower demand for print advertisements leads to fewer pages in newspapers, magazines and other advertisement circulars and periodicals, decreasing the demand for our products. Furthermore, while there has been some economic recovery, consumer and advertising-driven demand for our paper products may never recover to prior levels as

purchasing habits could be permanently changed. Demand for our market pulp products is generally associated with production rates with paper producers, as well as consumption trends for products such as tissue, toweling and absorbent products.

The economic downturn had a profoundly negative impact on the U.S. housing industry, which is a significant driver for demand of our lumber and other wood-based products, and could be expected to have a similar effect if global conditions were to soften again. According to the U.S. Census Bureau, U.S. housing starts declined from approximately 2.1 million in 2005 to a low of approximately 0.6 million in 2009, reflecting a 71% decline. Although conditions have improved since the downturn, these conditions could redevelop. During these types of conditions, with a low level of primary demand for our lumber and other wood-based products, we would expect our wood products business to operate at a low level until there is a meaningful recovery in new residential construction demand. Furthermore, with less lumber demand, sawmills generate less wood chips that we use in our pulp and paper mills, which leads the pulp and paper mills to increase their supply from the open market, where prices can fluctuate with market conditions. We would also have less wood residue to use internally, which would increase our fossil fuel consumption and, as a result, our costs.

We face intense competition in the forest products industry and the failure to compete effectively could have a material adverse effect on our business, financial condition and results of operations.

We compete with numerous forest products companies, some of which have greater financial resources than we do. The trend toward consolidation in the forest products industry has led to the formation of sizable global producers, with greater flexibility in pricing and financial resources for marketing, investment and expansion than we do. Because the markets for our products are all highly competitive, actions by competitors can affect our ability to compete and the volatility of prices at which products are sold.

The forest products industry is capital intensive, and requires significant investment to remain competitive. Some of our competitors may be lower-cost producers in some of the businesses in which we operate. In particular, the sizable investments in new, low-cost hardwood grade pulp capacity in South America, whose costs are thought to be very competitive, and the actions those mills take to gain market share, could adversely affect our competitive position in similar grades. This in turn could affect our sales, operating income and cash flows, and push us to consider significant capital investments to remain competitive. Failure to compete effectively could have a material adverse effect on our business, financial condition or results of operations.

Based on market interest, we offer a number of our products, particularly market pulp and wood products, with specific designations to one or more globally-recognized SFM and chain of custody standards. Our ability to conform to new or existing guidelines for certification depends on a number of factors, many of which are beyond our control, such as: changes to the interpretation or the application of the standards; the adequacy of government-implemented conservation measures; and the existence of territorial disputes between First Nations and governments. If we are unable to offer certified products, or to meet commitments to supply certified product, it could affect the marketability of our products and our ability to compete with certain producers.

Negative publicity, even if unjustified, could have a negative impact on our brand and the marketability of our products.

We believe that Resolute has established a reputation for transparent communications, responsible forestry practices and overall sustainability leadership; we believe that our commitment to sustainable and responsible forestry practices extend well beyond strict compliance with applicable forestry regulations, which in Québec and Ontario are already among the most, if not the most, rigorous in the world. Negative publicity, whether or not justified, relating to our operations could tarnish our reputation or reduce the value of our brand and market demand for our products. In addition, the actions of activists, whether or not justified, could impede or delay our ability to access raw materials or obtain third-party certifications with respect to SFM standards in order to supply certified products. In these cases, we could also have to incur expenses and dedicate additional resources to rebuild our reputation and restore the value of our brand.

The forest products industry is highly cyclical; fluctuations in the prices of, and the demand for, our products could result in small or negative profit margins, lower sales volumes and curtailment or closure of operations.

The forest products industry is highly cyclical. The overall levels of demand for the products we manufacture and consequently, our sales and profitability, reflect fluctuations in levels of end-user demand, which depend at least in part on general economic conditions in North America and the world. In addition to end-user demand, we've experienced cyclical changes in prices, sales volume and margins for our products as a result of changing market trends and the effect of capacity fluctuations on supply and demand as well as the relative competitiveness of producers. Because our commodity products have few distinguishing qualities from producer to producer, competition is based mainly on price, which is determined by supply relative to demand, which is in turn affected by the factors described above.

We could be required to make contributions to our Canadian pension plans at levels that could be significantly higher than expected, which could have an adverse impact on our financial condition.

The funding of our material Canadian registered pension plans, which we refer to as the “*affected plans*,” representing approximately 70% of our unfunded pension obligations as of December 31, 2014, is governed by regulations specific to us, adopted by the provinces of Ontario and Québec. We refer to these regulations, the effect of which will lapse in 2020, as the “*funding relief regulations*.”

While the basic amount of our aggregate annual contribution in respect of the solvency deficits in the affected plans for each year until 2020 is fixed, the funding relief regulations include a requirement to make a supplemental contribution, beginning in 2016, if the plans’ aggregate solvency ratio is more than 2% below the target specified in the regulations for the preceding year, subject to certain conditions. Should prevailing interest rates remain at the low levels applicable as of year-end 2014, based on our expected benefit payments in 2015, we expect that we will be required to make a supplemental contribution of Cdn \$25 million in 2016, depending on a number of conditions. Accordingly, the supplemental contributions we could be required to make in 2016 and future years could be material, which could negatively impact our cash flows and materially affect our financial condition.

In connection with the establishment of the original funding relief regulations, our principal Canadian operating subsidiary had undertaken to make an additional solvency deficit reduction contribution of Cdn \$75 to the affected plans, payable over four years, for each metric ton of capacity reduced in Québec or Ontario, in the event of any permanent machine closure or temporary downtime of more than six consecutive months or nine cumulative months over a period of 18 months. This undertaking expires on December 31, 2015, but, by its terms, contemplated the possibility of an extension. As part of the 2014 amendments to the funding relief regulations, it was determined that no additional contribution would be made in respect of any capacity reduction in Québec before April 13, 2013. The application of this undertaking in respect of capacity reductions in Ontario has yet to be settled. As a result of this undertaking to the provinces, starting in 2015 and for each of the next three years, we expect we will be required to make additional contributions of approximately Cdn \$20 million.

It is also possible that provincial pension regulators could attempt to compel additional funding of certain of our Canadian registered pension plans in respect of plan members associated with sites we formerly operated in their respective provinces. On June 12, 2012, we filed a motion for directives with the Québec Superior Court in Canada, the court with jurisdiction in the CCAA Creditor Protection Proceedings, seeking an order to prevent pension regulators in each of Québec, New Brunswick and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former operations in New Brunswick and Newfoundland and Labrador, or a declaration that any claim for accelerated reimbursements of deficits arising from a partial wind-up is a barred claim under the CCAA Creditor Protection Proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans, which could reach up to Cdn \$150 million (\$130 million, based on the exchange rate in effect on December 31, 2014), would have to be funded if we do not obtain the relief sought. At this time, we cannot estimate the additional contributions, if any, that may be required in future years, but they could be material.

We could be required to record additional valuation allowances against our recorded deferred income tax assets.

We recorded significant deferred income tax assets relating to our Canadian operations in our consolidated balance sheet as of December 31, 2014. If, in the future, we determine that we are unable to recognize these deferred income tax assets as a result of sustained cumulative losses in our Canadian operations, we could be required to record additional valuation allowances for the portion of the deferred income tax assets that are not recoverable. Such valuation allowances, if taken, would be recorded as a charge to income tax expense and would negatively impact our results of operations.

The terms of our ABL credit facility and the indenture governing our senior notes could restrict our current and future operations, particularly our ability to respond to changes and to take certain actions.

The indenture governing our 5.875% senior notes due 2023, or the “2023 Notes,” and the credit agreement governing our senior secured asset-based revolving credit facility, or the “ABL Credit Facility,” contain a number of restrictive covenants that impose operating and financial restrictions on us and could limit our ability to engage in activities that might be in our long-term best interests, including, among other things, restrictions on our ability to: incur, assume or guarantee significant additional indebtedness; issue redeemable stock and preferred stock; pay dividends or make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase certain debt; make loans and investments; incur liens; restrict dividends, loans or asset transfers from our subsidiaries; sell or otherwise dispose of assets, including capital stock of subsidiaries; consolidate or merge with or into, or sell substantially all of our assets to, another person; enter into transactions with affiliates; and enter into new lines of business.

A breach of the covenants under the indenture governing our notes or under the ABL Credit Facility could result in an event of default, which could allow holders and lenders, as the case may be, to accelerate their debt and could result in the acceleration

of any other debt to which a cross-acceleration or cross-default provision applies. An event of default under the ABL Credit Facility would also allow the lenders to terminate all commitments to extend further credit thereunder. If we were unable to repay amounts due and payable under the ABL Credit Facility, the lenders would have the right to proceed against the collateral securing the indebtedness. In any of these events, we and our subsidiaries might not have sufficient assets to repay the indebtedness. As a result, we could be: limited in how we conduct our business; unable to raise additional debt or equity financing to operate during general economic or business downturns; or unable to compete effectively or to take advantage of new business opportunities.

Our operations require substantial capital and we may be unable to maintain adequate capital resources to provide for all of our capital requirements.

Our businesses are capital intensive and require regular capital expenditures in order to maintain our equipment, increase our operating efficiency and comply with environmental laws. If our available cash resources and cash generated from operations are not sufficient to fund our operating needs and capital expenditures, we would either need to borrow or reduce or delay capital expenditures. If we cannot maintain or upgrade our equipment as we require, we may become unable to manufacture products that compete effectively. An inability to make required capital expenditures in a timely fashion could have a material adverse effect on our growth, business, financial condition or results of operations.

We may not be successful in implementing our strategies to increase earnings power.

Our corporate strategy includes, on the one hand, a profitable retreat from certain paper grades, and on the other, using our strong financial position to act on opportunities to diversify and grow. This could require significant capital investments with uncertain return outcomes, as we seek to improve our performance and margins by: leveraging our lower-cost position; maintaining a stringent focus on reducing costs and optimizing our diversified asset base; maximizing the benefits of our access to virgin fiber and managing our exposure to volatile recycled fiber; and pursuing our strategy of managing production and inventory levels and focusing production at our most profitable and lower-cost facilities and machines. We also believe in taking an opportunistic approach to strategic initiatives, with a particular focus on reducing our cost position, improving our product diversification, providing synergies or allowing us to expand into future growth markets. There are risks associated with the implementation of these strategies, which are complicated and involve a substantial number of mills, machines, capital and personnel. To the extent we are unsuccessful in achieving these strategies, our results of operations may be adversely affected.

There is uncertainty with respect to future regulation of our Canadian softwood lumber exports to the United States.

Our Canadian softwood lumber exports to the United States are subject to export duties and quota restrictions imposed under the 2006 Softwood Lumber Agreement, which is scheduled to expire in October of 2015. Duties and restrictions are based on the market price of a composite index in relation to thresholds specified in the agreement. There was no duty imposed in 2014, but since the inception of the agreement, we have paid approximately \$79 million in duties.

There is no assurance that the 2006 Softwood Lumber Agreement will be renewed or, if it is renewed, that we could benefit from provisions under Article XII of the agreement for an exemption in light of Québec's new forest tenure system implemented in 2013, that export duties will not be increased from current ranges or that other thresholds in the 2006 Softwood Lumber Agreement, such as differential trigger prices, surge limits, and quotas, will not change in a manner that could adversely affect us. Furthermore, if the 2006 Softwood Lumber Agreement expires without being renewed or replaced, it could lead to the imposition of export duties or other protective measures, such as anti-dumping duties or countervailing duties, that are higher than the export duties that are currently imposed under the 2006 Softwood Lumber Agreement. The 2006 Softwood Lumber Agreement provides that no trade sanctions can be imposed with respect to the importation of softwood lumber from Canada for the twelve month period following its expiration, that is, until October of 2016.

Our manufacturing businesses may have difficulty obtaining wood fiber at favorable prices, or at all.

Wood fiber is the principal raw material we use in our business. We use both virgin fiber - wood chips and logs - and recycled fiber - old newspapers, old magazines and sorted office paper - as fiber sources for our pulp and paper mills. The primary source for wood fiber is timber. Regulatory developments, activist campaigns and litigation advanced by Aboriginal groups or other interested parties have caused, and may cause in the future, significant reductions in the amount of timber available for commercial harvest in Canada.

We depend heavily on harvesting rights and timber supply guarantees over crown land in Ontario and Québec, respectively. In particular, the volume of harvest permitted under these licenses is subject to limits, sometimes referred to as the "annual allowable cut," which are reviewed regularly, typically every five years. Between 2006 and 2011, the chief forester of the province of Québec ordered reductions to the allowable harvest of approximately 34% in Québec. Also, as of April 1, 2013, about 25% of the then remaining timber supply guarantees allocated in Québec were transferred to an open auction system that

was implemented in 2013. In 2014, the chief forester revised the annual allowable cut, effective April 1, 2015, increasing supply through our timber supply guarantees by 0.1 million cubic meters. Accordingly, a significant portion of the fiber we need to operate our business is subject to market forces, which could reduce availability and/or increase the costs to supply fiber.

In addition to regulatory constraints, our supply of timber could be affected by future domestic or foreign regulation, litigation advanced by Aboriginal groups or other interested parties, and actions taken by activist organizations to influence any of the foregoing. These activities could focus on any one or more of: the use of timberlands; forest management practices; SFM certification standards; the protection of endangered species; the promotion of forest biodiversity and the response to and prevention of catastrophic wildfires. Our access to timber may also be affected by factors such as fire and fire prevention, insect infestation, disease, ice storms, wind storms, drought, flooding and other natural and man-made causes, thereby potentially reducing supply and increasing prices. As is typical in the industry, we do not maintain insurance for any loss to our access to standing timber from natural disasters or other causes.

Though timber is our primary source of fiber, we buy a significant portion of fiber on the open market as well. Wood fiber is a commodity; prices historically have been cyclical, and subject to market influences, which could be concentrated in any particular region due to market shifts.

A sustained increase in the cost of purchased energy and other raw materials would lead to higher manufacturing costs, thereby reducing our margins.

Our operations consume substantial amounts of energy, such as electricity, natural gas, fuel oil and wood residue, a substantial proportion of which we buy on the open market. The main raw materials we require in our manufacturing process are chemicals, wood fiber and recovered paper. The prices for raw materials and energy are volatile and may change rapidly, directly affecting our results of operations. The availability of raw materials and energy may also be disrupted by many factors outside our control, adversely affecting our operations. Energy prices, particularly for electricity, natural gas and fuel oil, have been volatile, impacting our manufacturing costs and contributing to earnings volatility. The pricing of recycled fiber is also subject to market influences and has experienced significant fluctuations in recent years.

For our commodity products, the relationship between industry supply and demand, rather than changes in the cost of raw materials, will determine our ability to increase prices. Consequently, we may be unable to pass along increases in our operating costs to our customers. Any sustained increase in energy, chemical or raw material prices without any corresponding increase in product pricing would reduce our operating margins and potentially require us to limit or cease operations of one or more of our machines.

There also can be no certainty that we will be able to maintain our water rights, which are necessary for our hydroelectric power generating facilities, or to renew them at conditions comparable to those currently in effect.

Changes in laws and regulations could adversely affect our results of operations.

We are subject to a variety of foreign, federal, state, provincial and local laws and regulations dealing with trade, employees, transportation, taxes, timber and water rights, pension funding and the environment. Changes in these laws or regulations or their interpretations or enforcement have required in the past, and could require in the future, substantial expenditures by us and adversely affect our results of operations. For example, changes in environmental laws and regulations have in the past, and could in the future, require us to spend substantial amounts to comply with rules and regulations relating to air emissions, wastewater discharge, waste management, landfill sites, including investigation and remediation costs and greenhouse gas regulations. Environmental laws and their enforcement are becoming increasingly stringent. Consequently, our compliance and remediation costs could increase materially.

Changes in the political or economic conditions in Canada, the United States or other countries in which our products are manufactured or sold could adversely affect our results of operations.

We manufacture products in Canada, the United States and South Korea, and we sell products throughout the world. The economic and political climate of each region has a significant impact on our costs and the prices of, and demand for, our products. Changes in regional economies or political instability, including acts of war or terrorist activities, can affect the cost of manufacturing and distributing our products, pricing and sales volume, directly affecting our results of operations. These changes could also affect the availability or cost of insurance.

We could be required to record additional environmental liabilities.

We are subject to a wide range of general and industry-specific laws and regulations relating to pollution and the protection of the environment, including those governing air emissions, wastewater discharges, timber harvesting, the storage, management and disposal of regulated substances and waste, the investigation and clean-up of contaminated sites, landfill and lagoon

operation and closure, forestry operations, endangered species habitat and health and safety. Noncompliance with these regulations can result in significant civil or criminal fines or penalties, damage to our reputation, higher activity levels from activists or claims by private parties, any of which, alone or in combination, could require us to spend substantial amounts of money on pollution control equipment, additional wastewater treatment facilities or initiatives to rebuild our reputation. As an owner and operator of real estate and manufacturing and processing facilities, we may also be liable under environmental laws for cleanup and other costs and damages, including investigation costs, tort liability and damages to natural resources, resulting from past or present spills, releases or threats of releases of regulated substances and waste on or from our current or former properties. We may incur liability under these laws without regard to whether we knew of, were responsible for, or owned the property at the time of, any spill, release or threats of releases of any regulated substances or waste on or from any current or former property, or at properties where we arranged for the disposal of regulated materials. Claims may also arise out of currently unknown environmental conditions or aggressive enforcement efforts by government regulators, public interest groups or private parties. As a result of the above, we may be required to record additional environmental liabilities.

We are subject to physical and financial risks associated with climate change.

Our operations and the operations of our suppliers are subject to climate variations, which impact the productivity of forests, the distribution and abundance of species and the spread of disease or insect epidemics, which may adversely or positively affect timber production. Over the past several years, changing weather patterns and climatic conditions due to natural and man-made causes have added to the unpredictability and frequency of natural disasters such as hurricanes, earthquakes, hailstorms, wildfires, snow and ice storms, which could also affect our woodlands or cause variations in the cost for raw materials, such as fiber. Changes in precipitation resulting in droughts could adversely affect timber or our hydroelectric production, thereby increasing our energy costs.

To the extent climate change impacts raw material availability or our hydroelectric production, it may also impact our costs and revenues. Furthermore, should financial markets view climate change as a financial risk, our ability to access capital markets or to receive acceptable terms and conditions could be affected.

We could experience disruptions in operations or increased labor costs due to labor disputes.

As of December 31, 2014, we employed approximately 7,700 people, of whom approximately 5,300 were represented by bargaining units, primarily the Unifor Union and the CNTU in Canada and predominantly by the USW in the U.S. The collective agreements covering approximately 500 employees in Canada are scheduled to expire in 2015, affecting two of our pulp and paper operations. We also have collective agreements covering approximately 1,500 employees in eight sawmills and four woodlands operations in Canada that have either expired or are scheduled to expire in 2015.

While we intend to negotiate to renew collective agreements, there can be no assurance that we will be able to renew agreements on satisfactory terms, or that we will maintain continuously satisfactory agreements with all of our unionized employees. Should we be unable to do so, it could result in strikes, work stoppages or disturbances by affected employees, which could cause us to experience a disruption of operations and affect our business, financial condition or results of operations.

The occurrence of extreme weather and natural or man-made disasters could disrupt our supply chain and the delivery of our products and adversely affect our financial condition or results of operations.

The success of our businesses is largely contingent on the availability of direct access to raw materials and our ability to ship products on a timely basis. As a result, any event that disrupts or limits transportation or delivery services could materially and adversely affect our business. In addition, our operating results depend on the continued operation of our various production facilities and the ability to complete construction and maintenance projects on schedule. Material operating interruptions at our facilities, including interruptions caused by the events described below, could materially reduce the productivity and profitability of a particular manufacturing facility, or our business as a whole, during and after the period of such operational difficulties.

Although we take precautions to enhance the safety of our operations and minimize the risk of disruptions, our operations are subject to hazards inherent in our business and the transportation of raw materials, products and wastes. These potential hazards include: explosions; fires; severe weather and natural disasters; mechanical failures; unscheduled downtimes; supplier disruptions; labor shortages or other labor difficulties; transportation interruptions; remediation complications; discharges or releases of toxic or hazardous substances or gases; other environmental risks; and terrorist acts.

Some of these hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage and can result in suspension of operations, the shutdown of affected facilities, reputational damage or the imposition of civil or criminal penalties. Furthermore, we will also continue to be subject to present and future claims

with respect to workplace exposure, exposure of contractors on our premises, as well as other persons located nearby, workers' compensation and other matters.

We maintain property, business interruption, product, general liability, casualty and other types of insurance, including pollution and legal liability, that we believe are in accordance with customary industry practices, but we are not fully insured against all potential hazards inherent in our business, including losses resulting from natural disasters, war risks or terrorist acts. Changes in insurance market conditions have caused, and may in the future cause, premiums and deductibles for certain insurance policies to increase substantially and in some instances, for certain insurance to become unavailable or available only for reduced amounts of coverage. If we were to incur a significant liability for which we were not fully insured, we might not be able to finance the amount of the uninsured liability on terms acceptable to us or at all, and might be obligated to divert a significant portion of our cash flow from normal business operations.

There are significant holders of our common stock.

There are several significant holders of our common stock who own a substantial percentage of the outstanding shares of our common stock. These holders could be in a position to influence the outcome of actions requiring shareholder approval, including, among other things, the election of board members, and could increase their percentage ownership of our common stock. This concentration of ownership could also facilitate or hinder a negotiated change of control and consequently, impact the value of our common stock. Furthermore, the possibility that one or more of these holders may sell all or a large portion of our common stock in a short period of time may adversely affect the trading price of our common stock.

We are subject to cyber-security risks related to breaches of security pertaining to sensitive company, customer, employee and vendor information as well as breaches in the technology that manages operations and other business processes.

We use information technologies to securely manage operations and various business functions. We rely on various technologies to process, store and report on our business and interact with customers, vendors and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security design and controls, and those of our third party providers, our information technology and infrastructure may be vulnerable to cyber attacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach could result in operational disruptions or the misappropriation of sensitive data that could subject us to civil and criminal penalties, litigation or have a negative impact on our reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact our cash flows and materially affect our results of operations or financial condition. The U.S. and Canadian legislatures also are considering cyber-security legislation that, if enacted, could impose additional obligations on us and could expand our potential liability in the event of a cyber-security incident.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

As a result of our international sales and operations, we are subject to trade and economic sanctions and other restrictions imposed by the United States, Canada and other governments or organizations, including prohibitions in the U.S. against foreign competitors' (including our Canadian operating subsidiaries) receipt of certain foreign governmental subsidies. We are also subject to the U.S. Foreign Corrupt Practices Act, the Canadian Corruption of Foreign Public Officials Act, the United Kingdom Bribery Act 2010 and other anti-bribery laws that generally bar bribes or unreasonable gifts to foreign governments or officials. Changes in trade sanctions laws could restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to compliance programs. Violations of these laws or regulations could result in sanctions including fines, loss of authorizations needed to conduct our international business, the imposition of tariffs or duties, and other penalties, which could adversely impact our business, operating results and financial condition.

We could pursue acquisitions, divestitures and other strategic transactions, the success of which could impact our results of operations, cash flows and financial condition.

In the past, we have pursued acquisitions to complement or expand our business, divestitures and other strategic transactions. Such future transactions are part of our general strategic objectives and may occur. If we identify an acquisition candidate, we may not be able to successfully negotiate or finance the acquisition or integrate the acquired businesses with our existing business and services. Future acquisitions could result in potentially dilutive issuances of equity securities and the incurrence of debt and contingent liabilities, amortization expenses and substantial goodwill. The negotiation of any transaction, its completion, and subsequent integration of any business acquired may be complex and time consuming, involve significant costs and may result in a distraction of management's attention from on-going business operations. We may be affected materially and adversely if we are unable to successfully integrate businesses that we acquire. Similarly, we may divest portions of our business, which may also have material and adverse effects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Information regarding our owned properties is included in Item 1, “Business.”

In addition to the properties that we own, we also lease under long-term leases office premises, office and transportation equipment, have water rights on certain government-owned waters and have harvesting rights with respect to certain timberlands. For additional information, see Note 19, “Operating Leases and Purchase Obligations,” to our Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

We become involved in various legal proceedings and other disputes in the normal course of business, including matters related to contracts, commercial disputes, taxes, environmental issues, activists damages, employment and workers’ compensation claims, Aboriginal claims and other matters. Although the final outcome is subject to many variables and cannot be predicted with any degree of certainty, we regularly assess the status of the matters and establish provisions (including legal costs expected to be incurred) when we believe an adverse outcome is probable, and the amount can be reasonably estimated. Except as described below and for claims that cannot be assessed due to their preliminary nature, we believe that the ultimate disposition of these matters outstanding or pending as of December 31, 2014, will not have a material adverse effect on our consolidated financial statements.

Effective July 31, 2012, we completed the final step of the transaction pursuant to which we acquired the remaining 25.4% of the outstanding Fibrek Inc. (“Fibrek”) shares, following the approval of Fibrek’s shareholders on July 23, 2012, and the issuance of a final order of the Québec Superior Court in Canada approving the arrangement on July 27, 2012. Certain former shareholders of Fibrek exercised (or purported to exercise) rights of dissent in respect of the transaction, asking for a judicial determination of the fair value of their claim under the *Canada Business Corporations Act*. No consideration has to date been paid to the former Fibrek shareholders who exercised (or purported to exercise) rights of dissent. Any such consideration will only be paid out upon settlement or judicial determination of the fair value of their claims and will be paid entirely in cash. Accordingly, we cannot presently determine the amount that ultimately will be paid to former holders of Fibrek shares in connection with the proceedings, but we have accrued approximately Cdn \$14 million (\$12 million, based on the exchange rate in effect on December 31, 2014) for the eventual payment of those claims.

On June 12, 2012, we filed a motion for directives with the Québec Superior Court in Canada, the court with the jurisdiction in the CCAA Creditor Protection Proceedings, seeking an order to prevent pension regulators in each of Québec, New Brunswick, and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former operations in New Brunswick and Newfoundland and Labrador, or a declaration that any claim for accelerated reimbursements of deficits arising from a partial wind-up is a barred claim under the CCAA Creditor Protection Proceedings. These plans are subject to the funding relief regulations described in Note 14, “Pension and Other Postretirement Benefit Plans – Canadian pension funding,” to our Consolidated Financial Statements and we contend, among other things, that any such declaration, if issued, would be inconsistent with the Québec Superior Court in Canada’s sanction order confirming the CCAA Reorganization Plan and the terms of our emergence from the CCAA Creditor Protection Proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans, which could reach up to Cdn \$150 million (\$130 million, based on the exchange rate in effect on December 31, 2014), would have to be funded if we do not obtain the relief sought. No hearing date has been set to date.

The Autorité des marchés financiers, the securities regulatory authority in the Province of Quebec (the “AMF”), has authorized Resolute to disclose that the AMF is conducting an investigation of Resolute into the possibility of non-compliance with the Securities Act and its applicable regulations relating to takeover bid rules and the possibility of illegal insider trading and tipping in connection with the December 15, 2011 offer by Resolute to purchase the shares of Fibrek Inc. (the “Offer”). Resolute has been informed by the AMF that the possibility of illegal insider trading does not involve any personal trading by its directors or officers in the shares of Fibrek, nor of Resolute, during the relevant period. Further details concerning the investigation are, by law and by order of the AMF, not permitted to be disclosed. Resolute is fully cooperating with the investigation and is of the view that it complied with all applicable securities laws. However, if the AMF commences legal proceedings against Resolute or any of its officers or directors, no assurance can be given at this time by Resolute as to the outcome.

Resolute adds that allegations concerning the possibility of non-compliance by Resolute with take-over bid rules were made by Fibrek in hearings in January-March 2012 before the *Bureau de décision et de révision* in the context of Resolute’s applications

to cease trade shareholder rights plans (poison pills) and other defensive measures adopted by Fibrek in response to the Offer. The *Bureau de décision et de révision* is Québec’s administrative tribunal specialized in financial markets.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades under the stock symbol “RFP” on both the NYSE and the TSX.

The high and low prices of our common stock on the NYSE for 2013 and 2014, by quarter, are set forth below.

	High	Low
2013		
First quarter	\$ 17.54	\$ 13.26
Second quarter	16.62	12.58
Third quarter	15.80	12.42
Fourth quarter	17.08	12.36
2014		
First quarter	\$ 21.70	\$ 15.96
Second quarter	20.15	14.73
Third quarter	18.24	14.77
Fourth quarter	19.38	15.30

As of January 30, 2015, there were approximately 3,285 holders of record of our common stock.

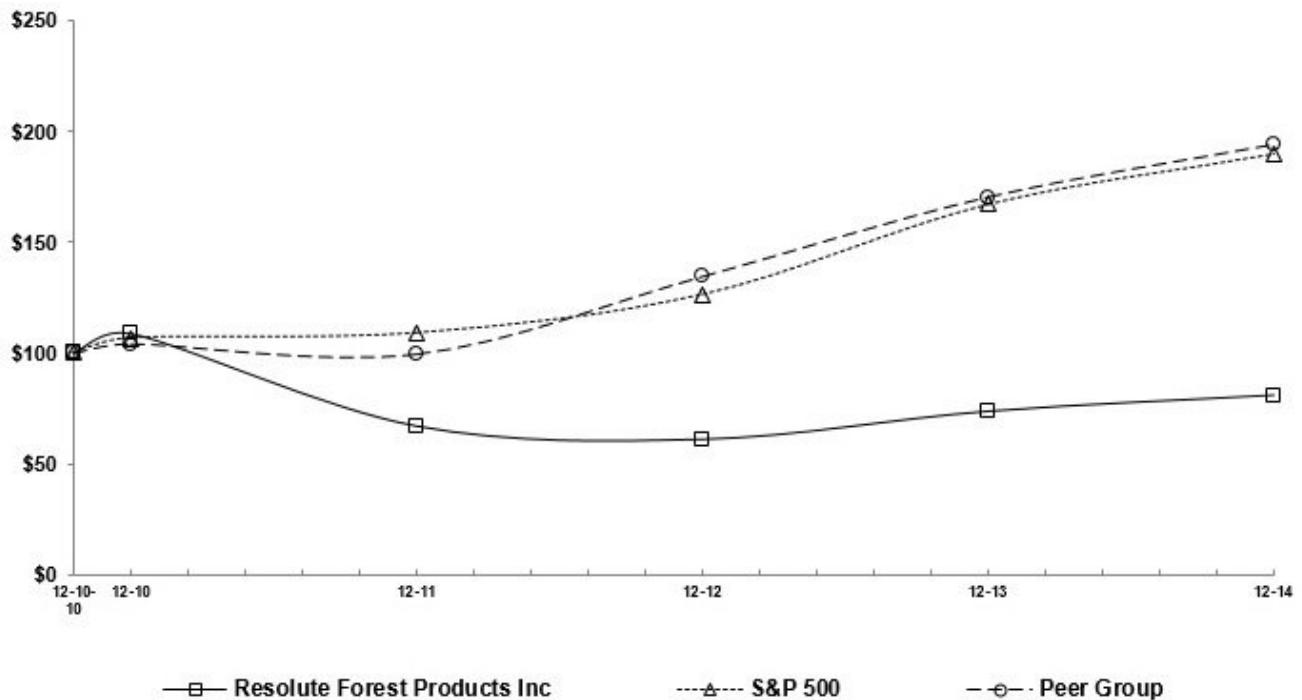
Any future determination to pay dividends will be at the discretion of the board of directors and will be dependent on then-existing conditions, including our financial condition, results of operations, capital requirements, contractual and legal restrictions, business prospects and other factors that the board of directors considers relevant. The indenture governing our 2023 Notes and the credit agreement governing our ABL Credit Facility contain restrictions on our ability to pay dividends and repurchase shares.

On May 22, 2012, our board of directors approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to \$100 million. Through December 31, 2012, we repurchased 5.6 million shares at a cost of \$67 million. We did not repurchase any shares since then.

See Part III, Item 12 of this Form 10-K, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” for information regarding our equity compensation plan.

The following graph compares the cumulative total return attained by shareholders on our common stock versus the cumulative total returns of the Standard & Poor’s 500 (the “S&P 500”) index and a peer group of five companies since December 10, 2010, the date our common stock began trading following our emergence from the Creditor Protection Proceedings. The individual companies comprising the peer group are: Domtar Corporation, International Paper Company, UPM – Kymmene Corporation, Verso Paper Corp. and Weyerhaeuser Company. The graph tracks the performance of a \$100 investment in our common stock on December 10, 2010, in the S&P 500 index on November 30, 2010 and in the peer group on November 30, 2010 (with the reinvestment of all dividends) to December 31, 2014. The stock price performance included in the graph is not indicative of future stock price performance.

COMPARISON OF 4 YEAR CUMULATIVE TOTAL RETURN*
 Among Resolute Forest Products Inc, the S&P 500 Index, and a Peer Group



Proceedings, including the impact of the implementation of the Plans of Reorganization and the application of fresh start accounting.

- (2) In 2012 and 2011, we redeemed \$85 million and \$264 million, respectively, of principal amount of our senior secured notes due in 2018 (the “2018 Notes”). In 2013, we issued \$600 million aggregate principal of 2023 Notes and used the proceeds to redeem the remaining \$501 million of principal amount of the 2018 Notes. For additional information, see Note 13, “Long-Term Debt,” to our Consolidated Financial Statements.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management’s discussion and analysis is intended to help the reader understand Resolute Forest Products, our results of operations, cash flows and financial condition. The discussion is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes contained in *Item 8 - Financial Statements and Supplementary Data* of this Annual Report on Form 10-K.

OVERVIEW

Resolute Forest Products is a global leader in the forest products industry, with a diverse range of products, including newsprint, specialty papers, market pulp and wood products, which are marketed in close to 80 countries. We own or operate some 40 pulp and paper mills and wood products facilities in the U.S., Canada and South Korea, and power generation assets in Canada. We’re the biggest Canadian producer of wood products east of the Rockies and one of the most significant pulp producers in North America. By capacity, we are the number one producer of newsprint in the world and the largest producer of uncoated mechanical papers in North America.

We report our activities in four business segments: newsprint, specialty papers, market pulp and wood products.

We are guided by our vision and values, focusing on safety, profitability, accountability, sustainability and teamwork. These are the elements that we believe best define us:

- *Competitive cost structure* - as a result of aggressive cost reductions and mill rationalizations, today we compete as a leading, lower-cost North American producer. Maintaining this competitive advantage is our key focus. We are committed to maximizing shareholder value and earnings power by: stressing our guiding principles of operational excellence in everything we do; pushing to optimize our asset base in order to maximize the utilization of our most cost-effective mills; and streamlining production to adapt to changing market dynamics.
- *Synergistic and diversified asset base* - we apply our principles of operational excellence to our synergistic and diversified asset base, one that has evolved with time as we execute our profitable retreat from paper toward more sustainable long-term businesses. Put simply, our optimized paper segments generate significant cash flow, which we use to grow our business for the long-term, including: the three pulp mills we acquired in 2012; the capacity enhancement initiatives in wood products; and the continuous digester project at the Calhoun, Tennessee, pulp and paper facility. This synergistic and complementary asset base also offers the fiber management advantage of integration and earnings diversification.
- *Financial strength* - we make disciplined capital management a priority; we believe in maintaining a flexible and conservative capital structure. Our financial strength gives us the ability to consider a range of suitable opportunities, and the patience to make sure the valuation is right.

Our Business

Products

Our 2.6 million metric tons of capacity in newsprint represents approximately 9% of worldwide capacity and 41% of North American capacity. We sell newsprint to newspaper publishers all over the world and also to commercial printers in North America, for uses such as inserts and flyers. In 2014, North American deliveries represented 60% of total newsprint shipments.

We have 1.5 million metric tons of capacity in specialty papers, which include uncoated mechanical and coated mechanical grades. In total, our 1.1 million metric tons of uncoated mechanical papers capacity makes us the largest producer in North America, and the third largest in the world. With 435,000 metric tons of capacity, we are North America’s third largest producer of coated mechanical papers, grades used for magazines, catalogs and advertising inserts.

Of our total specialty paper production, approximately one third is white paper, including high-bright and super high-bright papers, for general commercial printing, educational textbooks, digital printing and tradebooks. High-gloss uncoated

mechanical (or supercalender) papers, mainly used for magazines, coupons, retail inserts and newspaper supplements, represent approximately one quarter, as do coated mechanical papers, grades used for magazines, catalogs and advertising inserts. Bag grades, papers for directories, paperback books and other commercial applications represent less than 15% of our shipments. We sell our specialty papers almost exclusively in North America, where demand is largely tied to consumer spending and advertising.

We operate seven pulp mills, five in the U.S. and two in Canada, with total capacity of 1.7 million metric tons, or approximately 11% of total North American capacity, making us the third largest pulp producer in North America. Approximately 80% of our virgin pulp capacity is softwood-based, including: northern bleached softwood kraft pulp (or “NBSK”), southern bleached softwood kraft pulp (or “SBSK”) and fluff pulp. We are also a competitive producer of northern bleached hardwood kraft pulp (or “NBHK”) and southern bleached hardwood kraft pulp (or “SBHK”), and a leading producer of recycled bleached kraft pulp (or “RBK”). Our market pulp - the pulp we produce but do not consume internally - is used to make a range of consumer products, like tissue, packaging, specialty paper products, diapers and other absorbent products. Approximately 26% of our 2014 market pulp shipments were exported outside of North America, including significant exports to Europe, Asia and Latin America.

In 2014, we shipped 1.5 billion board feet of construction-grade lumber and 100 million board feet of remanufactured wood products within North America, mostly on the East Coast. Our sawmills produce dimension spruce-pine-fir (or “SPF”) lumber and provide wood chips to our pulp and paper mills in Canada as well as wood residue that we use as fuel in our power cogeneration assets and other operations. We also operate two remanufactured wood products facilities in Canada that produce bed frame components, finger joints and furring strips, and two engineered wood products facilities in Canada that produce I-joists for the construction industry. In 2014, we also launched a wood pellet plant in Thunder Bay, Ontario, which has a ten-year agreement to supply the local power utility with 45,000 metric tons of pellets annually.

	Years Ended December 31,		
	2014	2013	2012
Sales			
Newsprint	33%	33%	36%
Specialty papers	30%	31%	35%
Market pulp	23%	23%	18%
Wood products	14%	13%	11%
Total (%)	100%	100%	100%
Total sales (\$ millions)	\$ 4,258	\$ 4,461	\$ 4,503

Strategy & recent highlights

Our corporate strategy includes, on the one hand, a gradual retreat from certain paper grades, and on the other, using our strong financial position to act on opportunities to diversify and grow. That strategy is based on three core themes: operational excellence, disciplined use of capital and strategic initiatives.

Operational excellence

We aim to improve our performance and margins by:

- leveraging our lower-cost position;
- maintaining a stringent focus on reducing costs and optimizing our diversified asset base;
- maximizing the benefits of our access to virgin fiber and managing our exposure to volatile recycled fiber; and
- pursuing our strategy of managing production and inventory levels and focusing production at our most profitable and lower-cost facilities and machines.

We compete today as a leading, lower-cost North American producer, thanks to aggressive cost reductions and mill optimization.

- We believe we have one of the lowest selling, general and administrative expenses (or “SG&A”) to sales ratio in the forest product industry.

- We have reduced a number of positions at mill sites since 2012, without affecting operating capacity, which has significantly lowered our labor costs.
- We worked with our unionized employees and their union leaders toward the mutually beneficial renewal of our U.S. and Canadian pulp and paper collective agreements earlier this year. By working together with the shared goals of Resolute's long-term success, we helped to reinforce our position as a financially strong and reliable supplier for our customers.

Maintaining our lower-cost position is a core focus of our daily environment: we challenge ourselves to optimize assets, to lower our costs and to improve our efficiency. Today we operate only our best facilities and most competitive machines.

Disciplined use of capital

We make capital management a priority. Building on our focus to reduce manufacturing costs, we will continue our efforts to decrease overhead and spend our capital in a disciplined, strategic and focused manner, concentrated on our most successful sites.

- Maintaining our strong financial position and financial flexibility is one of our primary financial goals. In 2013, we refinanced the remaining balance of our senior secured notes with 5.875% senior unsecured notes due 2023 (the "2023 notes"). In addition to adding five years to maturity, the refinancing reduced our annual cash interest burden by \$16 million and improves our financial flexibility.
- In 2014, we modified our U.S. other postretirement benefit (or "OPEB") plans to encourage greater participation in a Medicare Exchange program. In addition to securing high-quality healthcare for participants, this modification, along with similar initiatives undertaken since mid-2013, helped to reduce our U.S. OPEB liability on the balance sheet from \$250 million to \$77 million as of December 31, 2014. Furthermore, in 2015, we expect that our OPEB expense will be \$26 million lower than in 2012, as a result of these amendments.

Strategic initiatives

We believe in taking an opportunistic approach to strategic initiatives, pursuing only those that reduce our cost position, improve our product diversification, provide synergies or allow us to expand into future growth markets. We anticipate continued consolidation in the paper and forest products industry, as we and our competitors continue to explore ways to increase efficiencies and grow into more favorable markets.

- By acquiring Fibrek Inc. ("*FibreK*") in 2012, we grew our market pulp capacity by over 70%, increasing our presence in a market that we believe will continue to grow over the long term.
- Thanks to a number of capacity initiatives within our existing sawmill network, we grew lumber shipments by 105 million board feet in 2014.
- Including the refurbished Ignace sawmill, which restarted in the fourth quarter, and the construction of our Atikokan sawmill, both in Northern Ontario, we expect to add another 300 million board feet of annualized wood products capacity in 2015.
- We are making significant progress on our continuous digester and wood chips processing equipment project at the Calhoun pulp and paper mill. We expect to complete the bulk of the work on this \$105 million investment in the fourth quarter of this year. When the digester reaches capacity, we expect to have an additional 100,000 metric tons of market pulp available on an annualized basis. We believe this world-class equipment will help to significantly lower the mill's overall costs and improve the quality of its products.

Sustainable performance and development

Our sustainability strategy is based on a balanced approach to environmental, social and economic performance, designed to enhance our competitive position. It is supported by public commitments in a number of key performance areas, focusing primarily on:

- improving resource efficiency, which helps control fiber and power costs, two significant input costs in our industry;
- adapting to our customers' procurement policies and striving to anticipate trends in demand for environmentally-conscious forest products, which will enhance the long-term competitiveness of our product offering;
- positioning ourselves as a competitive employer in order to attract, engage and retain the best and brightest minds, promoting employee engagement, innovation and longevity; and

- building solid community relations to support long-term regional prosperity and our own financial and operational success.

Our key sustainability commitments include:

- We are proud that in 2014 we beat the ambitious safety target we set for ourselves, achieving an Occupational Safety and Health Administration incident rate of 0.83, even better than the world class rate of 1.02 we achieved in 2013. Safety is our first priority, and we all strive for zero injury.
- We surpassed, two years ahead of schedule, the goal we set as a member of the World Wildlife Fund Climate Savers program to reduce our scope 1 and 2 greenhouse gas emissions by 65% by 2015, compared to 2000 levels. We reduced our emissions by 67.5%. This improvement goes beyond capacity reductions: over 50% of the improvement came from reductions in energy consumption, fuel switching and fuel mix improvements.
- Maintaining 100% certification of Resolute-owned or managed woodlands to sustainable forest management (“SFM”) standards. For over five years now, 100% of our managed forests have been certified to one or more SFM standards (Sustainable Forestry Initiative, Forest Stewardship Council and/or Canadian Standards Association). Accordingly, our commitments extend well beyond strict compliance with applicable forestry regulations, which in Québec and Ontario are already among the most, if not the most, rigorous in the world.
- We reduced our mill environmental incidents by 19% in 2014 compared to 2013.
- Through 2015, implementing new human resource practices to support workforce renewal and retention, and engaging employees in the Company’s sustainability-focused vision and values.
- In addition to developing information resources such as BorealForestFacts.com and The Resolute Blog, we launched the Forum Boréal and Boreal Forum social media platforms. These French and English sites provide a forum for fact-based discussion concerning sustainable forestry practices and they help to ensure that individual and community voices are heard, particularly when it comes to the importance of forestry to Northern economies.

In our view, sustainability rests on three pillars: economic, social and environmental. We’re very pleased that our sustainability leadership and our accomplishments have been recognized by independent organizations, including:

- ranking in the Best 50 Corporate Citizens in Canada by Corporate Knights;
- being named to the 2015 Canada’s Clean50, for leaders who have made the greatest contributions to sustainable development or clean capitalism in Canada; and
- receiving *The New Economy* magazine’s global Clean Tech Award for best forest and paper solutions.

Power generation

We produce electricity at seven cogeneration facilities and seven hydroelectric dams. The output is consumed internally, sold at contracted fixed prices and/or sold on the spot market. This allows us to reduce our costs by generating energy internally at a lower cost compared to open market purchases, and by producing revenue from external sales of some of the power.

This table provides a breakdown of the output capacity (based on installed capacity and operating expectations in 2015) available for internal consumption at our existing production facilities:

INTERNAL CONSUMPTION	Type	Energy	
		Capacity (MW)	Consumption (MWh/year)
Calhoun, TN	Cogeneration	64	373,000
Catawba, SC	Cogeneration	55	430,000
Coosa Pines, AL	Cogeneration	30	105,000
Hydro Saguenay, QC (7 dams)	Hydroelectric	170	1,050,000
Thunder Bay, ON	Cogeneration	51	220,000

The table below shows the facilities where we currently produce electricity to sell externally as green power produced from renewable sources at favorable rates, almost all of which we buy back at lower rates for use in our operations:

EXTERNAL SALES	Type	Energy	
		Capacity (MW)	Annualized sales (MWh/year)
Dolbeau-Mistassini, QC	Cogeneration	28	192,000
Gatineau, QC	Cogeneration	15	110,000
Saint-Félicien, QC	Cogeneration	43	300,000
Thunder Bay, ON	Cogeneration	65	390,000

2014 Overview

2014 vs. 2013

Excluding special items, we generated operating income of \$123 million during the year, compared to \$134 million in 2013. Unadjusted for special items, the operating loss was \$174 million, compared to an operating loss of \$2 million in 2013. Special items are described below.

Our net income for the year, excluding special items, was \$46 million, or \$0.49 per share, down from net income, excluding special items, of \$107 million, or \$1.13 per share, in 2013. Unadjusted for special items, our net loss in 2014 was \$277 million, compared to \$639 million in 2013. The net loss in 2013 was significantly affected by a \$572 million non-cash income tax charge as a result of an increase in our valuation allowance. Sales were \$4.3 billion in 2014, down \$203 million from last year.

Year Ended December 31, 2014

<i>(unaudited, in millions, except per share amounts)</i>	Operating Income (Loss)	Net Income (Loss)	EPS
GAAP, as reported	\$ (174)	\$ (277)	\$ (2.93)
Adjustments for special items ⁽¹⁾ :			
Foreign exchange translation loss	—	32	0.34
Closure costs, impairment and other related charges	278	278	2.94
Inventory write-downs related to closures	17	17	0.18
Start-up costs	4	4	0.04
Net gain on disposition of assets	(2)	(2)	(0.02)
Write-down of equity method investment	—	61	0.65
Other income, net	—	(10)	(0.11)
Income tax effect of special items	—	(57)	(0.60)
GAAP, as adjusted for special items	\$ 123	\$ 46	\$ 0.49

Year Ended December 31, 2013

<i>(unaudited, in millions, except per share amounts)</i>	Operating Income (Loss)	Net Income (Loss)	EPS
GAAP, as reported	\$ (2)	\$ (639)	\$ (6.75)
Adjustments for special items ⁽¹⁾ :			
Foreign exchange translation loss	—	24	0.25
Closure costs, impairment and other related charges	89	89	0.94
Inventory write-downs related to closures	11	11	0.12
Start-up costs	32	32	0.34
Net gain on disposition of assets	(2)	(2)	(0.02)
Net loss on extinguishment of debt	—	59	0.62
Transaction costs	6	6	0.06
Other income, net	—	(21)	(0.22)
U.S. deferred income tax asset valuation allowance	—	604	6.38
Income tax effect of special items	—	(56)	(0.59)
GAAP, as adjusted for special items	\$ 134	\$ 107	\$ 1.13

⁽¹⁾ Operating income (loss), net income (loss) and net income (loss) per share (or “EPS”), in each case as adjusted for special items, are not financial measures recognized under generally accepted accounting principles, or “GAAP.” We calculate operating income (loss), as adjusted for special items, as operating income (loss) from our consolidated statements of operations, adjusted for items such as closure costs, impairment and other related charges, inventory write-downs related to closures, start-up costs, gains and losses on disposition of assets, transaction costs, and other charges or credits that are excluded from our segment’s performance from GAAP operating income (loss). We calculate net income (loss), as adjusted for special items, as net income (loss) from our consolidated statements of operations, adjusted for the same special items applied to operating income (loss), plus the effects of foreign currency translation, net loss on extinguishment of debt, write-down of equity method investment, other income (expense) and U.S. deferred income tax asset valuation allowance. EPS, as adjusted for special items, is calculated as net income (loss), as adjusted for special items, per diluted share. We believe that using these measures is useful because they are consistent with the indicators management uses internally to measure the Company’s performance, and it allows the reader to more easily compare our ongoing operations and financial performance from period to period.

Fourth Quarter Overview

Three months ended December 31, 2014 vs. December 31, 2013

Excluding special items, we generated operating income of \$47 million in the quarter, compared to \$49 million in the year-ago period. Unadjusted for special items, the operating loss was \$93 million, compared to an operating income of \$8 million in the year-ago period. Special items are described below.

Net income, excluding special items, was \$36 million in the quarter, or \$0.38 per share, up from net income, excluding special items, of \$32 million, or \$0.34 per share, in the year-ago period. Unadjusted for special items, our net loss in the period was \$109 million, compared to a loss of \$3 million in the year-ago period. Sales were \$1.1 billion, down \$95 million from the same period last year.

Three Months Ended December 31, 2014			
<i>(unaudited, in millions, except per share amounts)</i>	Operating Income (Loss)	Net Income (Loss)	EPS
GAAP, as reported	\$ (93)	\$ (109)	\$ (1.15)
Adjustments for special items ⁽¹⁾ :			
Foreign exchange translation loss	—	18	0.19
Closure costs, impairment and other related charges	131	131	1.38
Inventory write-downs related to closures	7	7	0.07
Start-up costs	2	2	0.02
Write-down of equity method investment	—	11	0.12
Other income, net	—	(4)	(0.04)
Income tax effect of special items	—	(20)	(0.21)
GAAP, as adjusted for special items	\$ 47	\$ 36	\$ 0.38

Three Months Ended December 31, 2013			
<i>(unaudited, in millions, except per share amounts)</i>	Operating Income (Loss)	Net Income (Loss)	EPS
GAAP, as reported	\$ 8	\$ (3)	\$ (0.03)
Adjustments for special items ⁽¹⁾ :			
Foreign exchange translation loss	—	15	0.16
Closure costs, impairment and other related charges	33	33	0.35
Inventory write-downs related to closures	6	6	0.06
Start-up costs	1	1	0.01
Transaction costs	1	1	0.01
Other expense, net	—	5	0.05
U.S. deferred income tax asset valuation allowance	—	(15)	(0.16)
Income tax effect of special items	—	(11)	(0.11)
GAAP, as adjusted for special items	\$ 49	\$ 32	\$ 0.34

⁽¹⁾ Operating income (loss), net income (loss) and EPS, in each case as adjusted for special items, are non-GAAP financial measures. For more information on the calculation and reasons we include this measure, see note 1 under “Overview – 2014 Overview” above.

RESULTS OF OPERATIONS

Consolidated Earnings

Selected Annual Financial Information

<i>(in millions, except per share amounts)</i>	Years Ended December 31,		
	2014	2013	2012
Sales	\$ 4,258	\$ 4,461	\$ 4,503
Operating income (loss) per segment			
Newsprint	23	40	97
Specialty papers	(17)	35	85
Market pulp	66	42	(43)
Wood products	69	41	26
Corporate / other	(315)	(160)	(193)
Total	(174)	(2)	(28)
Net (loss) income	(277)	(639)	1
Net (loss) income per common share			
Basic	\$ (2.93)	\$ (6.75)	\$ 0.01
Diluted	(2.93)	(6.75)	0.01
Cash and cash equivalents	\$ 337	\$ 322	\$ 263
Total assets	4,921	5,385	6,333
Adjusted EBITDA ⁽¹⁾	\$ 366	\$ 377	\$ 393
Adjusted EBITDA margin ⁽¹⁾	8.6%	8.5%	8.7%
ROE, adjusted for special items ⁽²⁾	1.4%	2.8%	2.6%

⁽¹⁾ Earnings before interest expense, income taxes, and depreciation and amortization, or “*EBITDA*”, adjusted EBITDA and adjusted EBITDA margin are not financial measures recognized under GAAP. EBITDA is calculated as net income (loss) including noncontrolling interests from the consolidated statements of operations, adjusted for interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA means EBITDA, excluding special items, such as foreign exchange translation gains and losses, severance costs, closure costs, impairment and other related charges, inventory write-downs related to closures, start-up costs, gains and losses on disposition of assets, net loss on extinguishment of debt, write-down of equity method investment, transaction costs and other charges or credits. Adjusted EBITDA margin is adjusted EBITDA expressed as a percentage of sales. We believe that using measures such as EBITDA, adjusted EBITDA and adjusted EBITDA margin is useful because they are consistent with the indicators management uses internally to measure the Company’s performance and it allows the reader to more easily compare our ongoing operations and financial performance from period to period. EBITDA, adjusted EBITDA and adjusted EBITDA margin are internal measures, and therefore may not be comparable to those of other companies.

⁽²⁾ Return on equity, or “*ROE*”, is a non-GAAP financial measure, calculated by dividing net income (loss), excluding the special items identified below, by adjusted shareholders’ equity. ROE is a measure of profitability that shows how much profit the Company generated as a percentage of shareholder money invested.

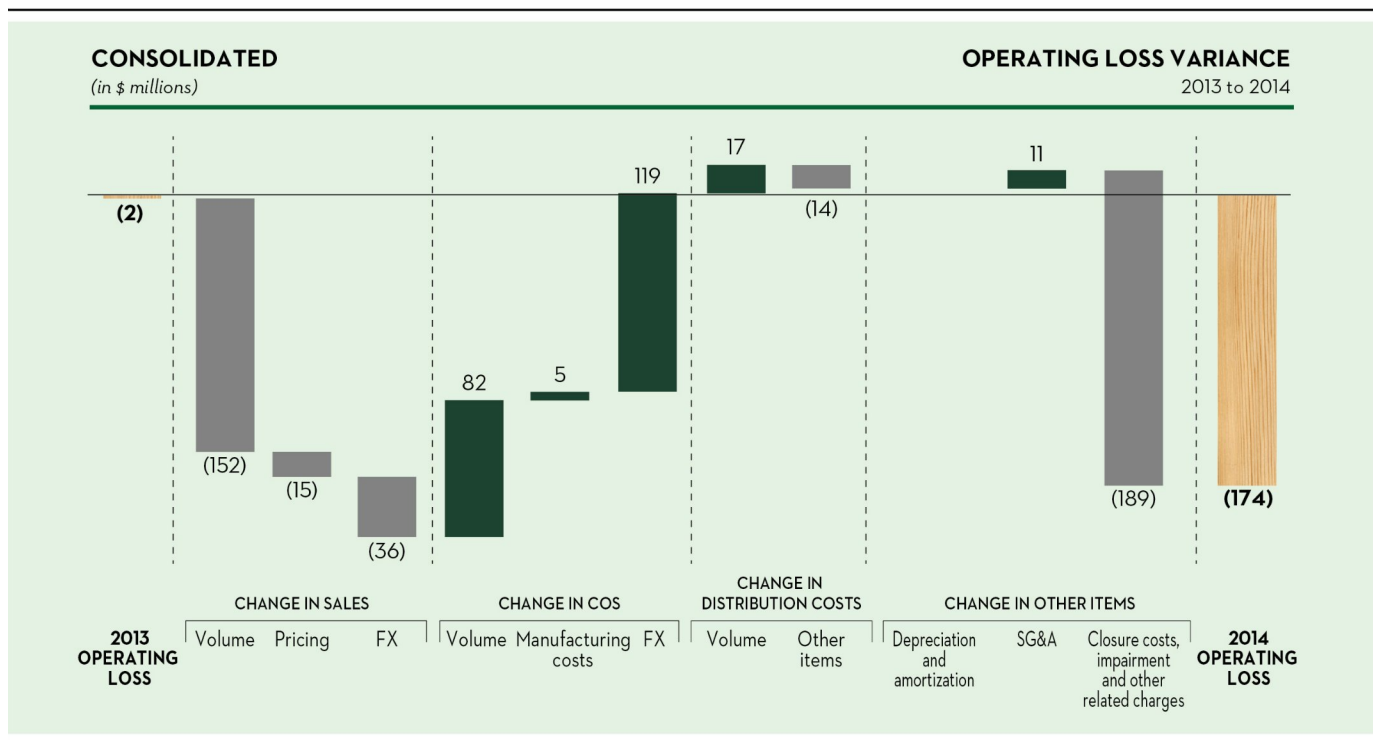
<i>(in millions)</i>	Years ended December 31,		
	2014	2013	2012
Net loss including noncontrolling interests	\$ (274)	\$ (639)	\$ (33)
Interest expense	47	51	66
Income tax (benefit) provision	(30)	524	(39)
Depreciation and amortization	243	243	233
EBITDA	\$ (14)	\$ 179	\$ 227
Foreign exchange translation loss (gain)	32	24	(17)
Severance costs	—	—	5
Closure costs, impairment and other related charges	278	89	185
Inventory write-downs related to closures	17	11	12
Start-up costs	4	32	13
Net gain on disposition of assets	(2)	(2)	(35)
Write-down of equity method investment	61	—	—
Net loss on extinguishment of debt	—	59	—
Transaction costs	—	6	8
Other income, net	(10)	(21)	(5)
Adjusted EBITDA	\$ 366	\$ 377	\$ 393

<i>(in millions, except ROE)</i>	December 31, 2014		
	Net (loss) income	Shareholders' equity	ROE (%)
GAAP, as reported	\$ (277)	\$ 2,106	(13.2)%
Adjustments for special items:			
Foreign exchange translation loss	\$ 32	\$ 32	
Closure costs, impairment and other related charges	278	278	
Inventory write-downs related to closures	17	17	
Start-up costs	4	4	
Net gain on disposition of assets	(2)	(2)	
Write-down of equity method investment	61	61	
Other income, net	(10)	(10)	
Income tax effect of special items	(57)	(57)	
Cumulative past-year adjustments for special items	—	956	
GAAP, as adjusted for special items	\$ 46	\$ 3,385	1.4 %

<i>(in millions, except ROE)</i>	December 31, 2013		
	Net (loss) income	Shareholders' equity	ROE (%)
GAAP, as reported	\$ (639)	\$ 2,827	(22.6)%
Adjustments for special items:			
Foreign exchange translation loss	\$ 24	\$ 24	
Closure costs, impairment and other related charges	89	89	
Inventory write-downs related to closures	11	11	
Start-up costs	32	32	
Net gain on disposition of assets	(2)	(2)	
Net loss on extinguishment of debt	59	59	
Transaction costs	6	6	
Other income, net	(21)	(21)	
U.S. deferred income tax asset valuation allowance	604	604	
Income tax effect of special items	(56)	(56)	
Cumulative past-year adjustments for special items	—	210	
GAAP, as adjusted for special items	\$ 107	\$ 3,783	2.8 %

<i>(in millions, except ROE)</i>	December 31, 2012		
	Net income	Shareholders' equity	ROE (%)
GAAP, as reported	\$ 1	\$ 3,102	—%
Adjustments for special items:			
Foreign exchange translation gain	\$ (17)	\$ (17)	
Severance costs	5	5	
Closure costs, impairment and other related charges	185	185	
Inventory write-downs related to closures	12	12	
Start-up costs	13	13	
Net gain on disposition of assets	(35)	(35)	
Transaction costs	8	8	
Other income, net	(5)	(5)	
Reorganization-related and other tax adjustments	(13)	(13)	
Income tax effect of special items	(33)	(33)	
Noncontrolling interests in special items	(35)	(35)	
Cumulative past-year adjustments	—	125	
GAAP, as adjusted for special items	\$ 86	\$ 3,312	2.6%

Operating loss variance analysis

*Sales*

Our sales were \$203 million lower, or 5%, in 2014, at \$4,258 million. Volume had a \$152 million unfavorable impact, which reflects a decline of 13% in shipments of market pulp and 3% in specialty papers. Including the effect of currency, overall pricing fell by \$51 million, reflecting a 4% drop in the average transaction price of both newsprint and specialty papers, which was only partly offset by a 6% increase in the average transaction price for market pulp.

Wood products shipments increased by 105 million board feet, or 7%. 2014 shipments of newsprint and specialty papers were down by only 1% and 3%, respectively, given the downtime and capacity reduction initiatives we took in both paper segments in the second half of the year. Shipments of market pulp were 13% lower because of more internal consumption, a production slowback in RBK and equipment failures.

Cost of sales, excluding depreciation, amortization and distribution costs

Cost of sales, excluding depreciation, amortization and distribution costs, which we refer to as “COS”, were \$206 million lower. After removing the favorable effects of the weaker Canadian dollar, as a significant portion of our production capacity is based in Canada, and the lower overall volume, manufacturing costs were \$5 million lower, reflecting:

- lower pension and OPEB expenses (\$34 million);
- lower start-up costs (\$28 million), the most significant of which were costs incurred in 2013 in connection with the restart of the Gatineau, Québec, mill;
- the recognition of an energy savings incentive in the U.S. Southeast, the recognition of additional tax credits in connection with infrastructure investments and other tax, research and development and insurance credits (\$20 million);
- the effect of asset optimization initiatives (\$17 million);
- the full period operation of the Thunder Bay cogeneration assets, partly offset by additional maintenance (\$8 million); and
- better fiber and chemical costs (\$7 million);

partly offset by:

- the abnormally cold winter (\$40 million);
- higher stumpage fees and other costs associated with the comprehensive modification of the forest tenure system in the province of Québec (\$17 million);
- operational disruptions and higher maintenance costs (\$17 million);
- asset preservation costs mainly at our closed Fort Frances, Ontario, facility and additional stores inventory write-downs in connection with closures (\$16 million);
- higher natural gas and power costs (\$9 million);
- lower contribution from the cogeneration facilities at Dolbeau, Québec, and Saint-Félicien, Québec, because of higher bark costs at one mill and mechanical failures at another (\$7 million); and
- the timing of business interruption insurance proceeds received in 2013 (\$3 million).

Distribution costs

After removing the effect of the lower volume, distribution costs were higher in 2014, mostly as result of higher warehousing and freight costs in the specialty papers segment, in part due to weather in the first two quarters of the year and an increase in the average length of haul in the specialty papers and market pulp segment, partly offset by lower fuel surcharges late in the year.

Selling, general & administrative expenses

SG&A was \$11 million lower in 2014, primarily because of the weaker Canadian dollar (\$9 million), lower project costs and a group insurance refund, offset in part by an increase in allowances for doubtful accounts.

Closure costs, impairment and other related charges

See the corresponding variance analysis under “ - Segment Earnings - Corporate and Other” below.

Net loss variance analysis

Interest expense

Interest expense was \$4 million lower, to \$47 million, primarily reflecting the second quarter 2013 refinancing of our 10.25% senior secured notes due 2018 (the “2018 notes”) with 5.875% senior unsecured notes due 2023.

Other expense, net

We recorded other expense, net, of \$83 million in 2014, compared to an expense of \$62 million in 2013. The 2014 expense included a \$61 million write-down of our investment in Ponderay Newsprint Company, an unconsolidated partnership in which we have a 40% interest and act as managing partner through a wholly-owned subsidiary, and a non-cash loss on translation of Canadian dollar net monetary assets (\$32 million).

The \$62 million we recorded as other expense, net, in 2013 was the product of:

- the tender premium paid to holders of 2018 notes in the refinancing, net of the write-down of the associated unamortized premium (\$59 million);
- a non-cash loss on translation of Canadian dollar net monetary assets (\$24 million);

offset in part by:

- the forgiveness of a note payable in connection with our acquisition of a former joint venture partner’s interest in Calhoun Newsprint Company (or “CNC”) (\$12 million); and
- a distribution from the liquidation of a former U.K. subsidiary (\$12 million).

Income taxes

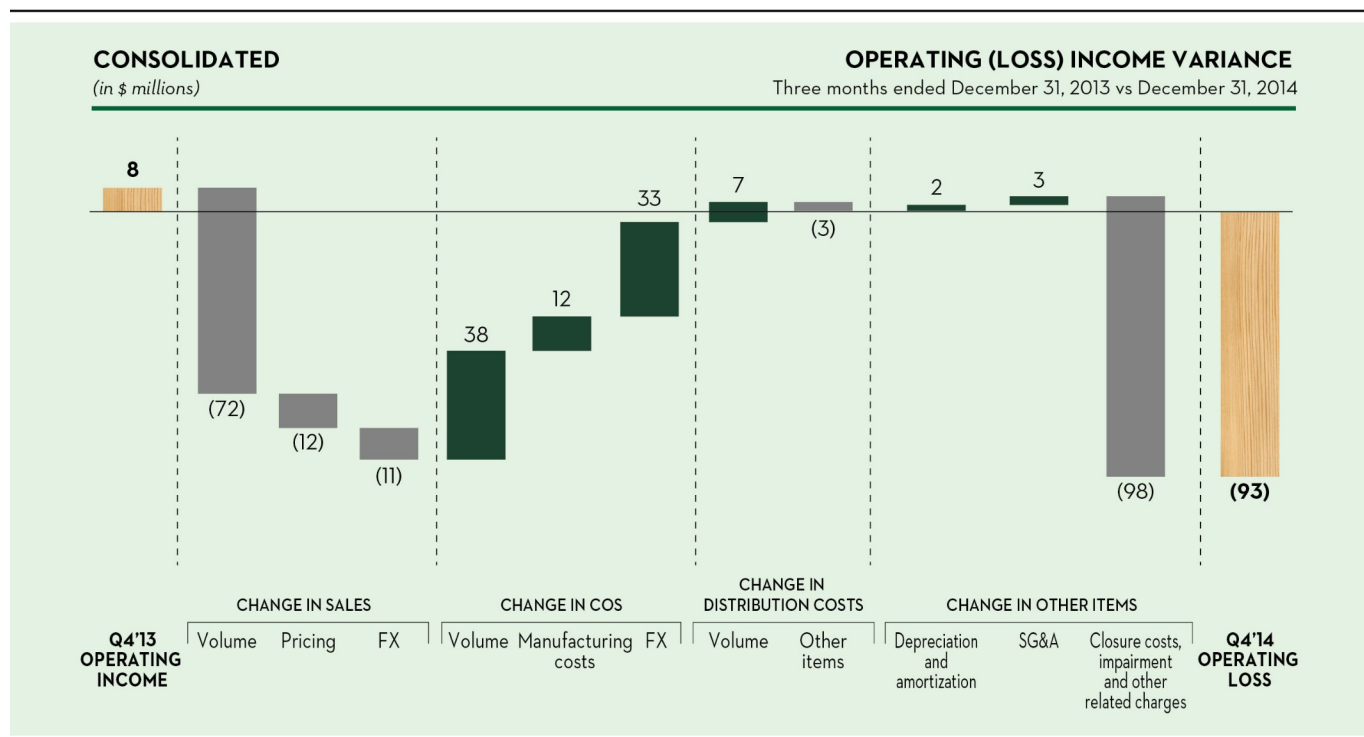
We recorded an income tax benefit of \$30 million in 2014, on a loss before income taxes of \$304 million, compared to an expected income tax benefit of \$106 million based on the U.S. federal statutory income tax rate of 35%. The difference reflects the unfavorable effects of an increase in valuation allowances, primarily related to our U.S. operations, where we no longer recognize deferred income tax assets and foreign exchange related items, partly offset by a tax benefit due to the reversal of our valuation allowance related to Fibrek Holding Inc., a Canadian wholly-owned subsidiary.

We recorded a \$524 million income tax provision in 2013, on a loss before income taxes of \$115 million, compared to an expected income tax benefit of \$40 million based on the U.S. federal statutory income tax rate of 35%. The difference largely reflects a net valuation allowance increase of \$572 million, most of which relates to a charge recorded to establish a full valuation allowance against our net U.S. deferred income tax assets.

Some of our Canadian subsidiaries, including our principal Canadian operating subsidiary, use the U.S. dollar as functional currency but determine taxable income in Canadian dollars. This can cause frequent and substantial variations to our effective tax rate when compared to the weighted-average of both domestic and foreign statutory tax rates. This is because we compute the foreign exchange component of the income tax provision of our Canadian subsidiaries on a different basis than in our consolidated financial statements. Due to the unpredictability of foreign exchange rates, we are unable to estimate the impact of future changes in exchange rates on our effective tax rate.

Q4 of 2014 vs. Q4 of 2013

Operating (loss) income variance analysis



Sales

Our sales were \$95 million lower, or 8%, this quarter, at \$1,055 million. Including the effect of currency, overall pricing fell by \$23 million because of a 5% drop in the average transaction price for newsprint and 3% for specialty papers, offset only in part by a 3% improvement in the average transaction price of market pulp.

The overall volume was also lower, reflecting a 16% reduction in market pulp shipments, 6% in specialty papers and 3% in newsprint; wood products shipments were 10 million board feet, or 3%, higher. The lower pulp shipments reflect greater internal consumption, the production slowback in RBK and a shipment delay at year-end.

Cost of sales, excluding depreciation, amortization and distribution costs

COS improved by \$83 million in the quarter because of the lower volume and the weaker Canadian dollar, as a significant portion of our production capacity is based in Canada. Excluding these impacts, manufacturing costs were \$12 million lower, reflecting:

- asset optimization initiatives (\$14 million);
 - lower pension and OPEB expenses (\$8 million); and
 - the recognition of additional tax credits in connection with infrastructure investments (\$7 million);
- offset in part by:
- higher wood costs and lower contribution from cogeneration facilities (\$7 million);
 - a favorable power adjustment in the year-ago period (\$4 million); and
 - asset preservation costs at our closed Fort Frances facility and additional stores inventory write-downs in connection with mill closures, as well as higher start-up costs (\$4 million).

Distribution costs

After removing the effect of lower volume, distribution costs were \$3 million higher because of warehousing and freight costs in the specialty papers segment and an increase in the average length of haul in the specialty papers and market pulp segment, partly offset by lower fuel surcharges.

Selling, general & administrative expenses

SG&A was \$3 million lower in the quarter, primarily because of a group insurance refund.

Closure costs, impairment and other related charges

Closure costs, impairment and other related charges were \$131 million in the fourth quarter of 2014, reflecting:

- \$57 million of accelerated depreciation, \$9 million for severance and other termination benefits and \$8 million for other closure costs, including environmental remediation obligations, in connection with the permanent closure of our Iroquois Falls, Ontario, mill in the fourth quarter;
- \$32 million of accelerated depreciation and \$4 million for other closure costs in connection with the permanent closure of our Laurentide, Québec, mill; and
- \$4 million of idling and cleaning costs as well as severance charges at our Fort Frances mill;

By comparison, we recorded \$33 million in the same period in 2013, reflecting costs and charges related to the extended market-related outage at the remaining paper machine in Fort Frances and the impairment of our recycling assets.

Net loss variance analysis

Net loss was \$109 million in the fourth quarter of 2014, or \$1.15 per share, compared to a net loss of \$3 million, or \$0.03 per share, in the year-ago period.

Other expense, net

We recorded other expense, net, of \$25 million in the quarter, compared to other expense, net, of \$20 million in the year-ago period. This quarter included an \$18 million non-cash loss on translation of Canadian dollar net monetary assets and an \$11 million write-down of our investment in Ponderay Newsprint Company. The \$20 million other expense, net, in the year-ago period included a \$15 million non-cash loss on the translation of Canadian dollar net monetary assets.

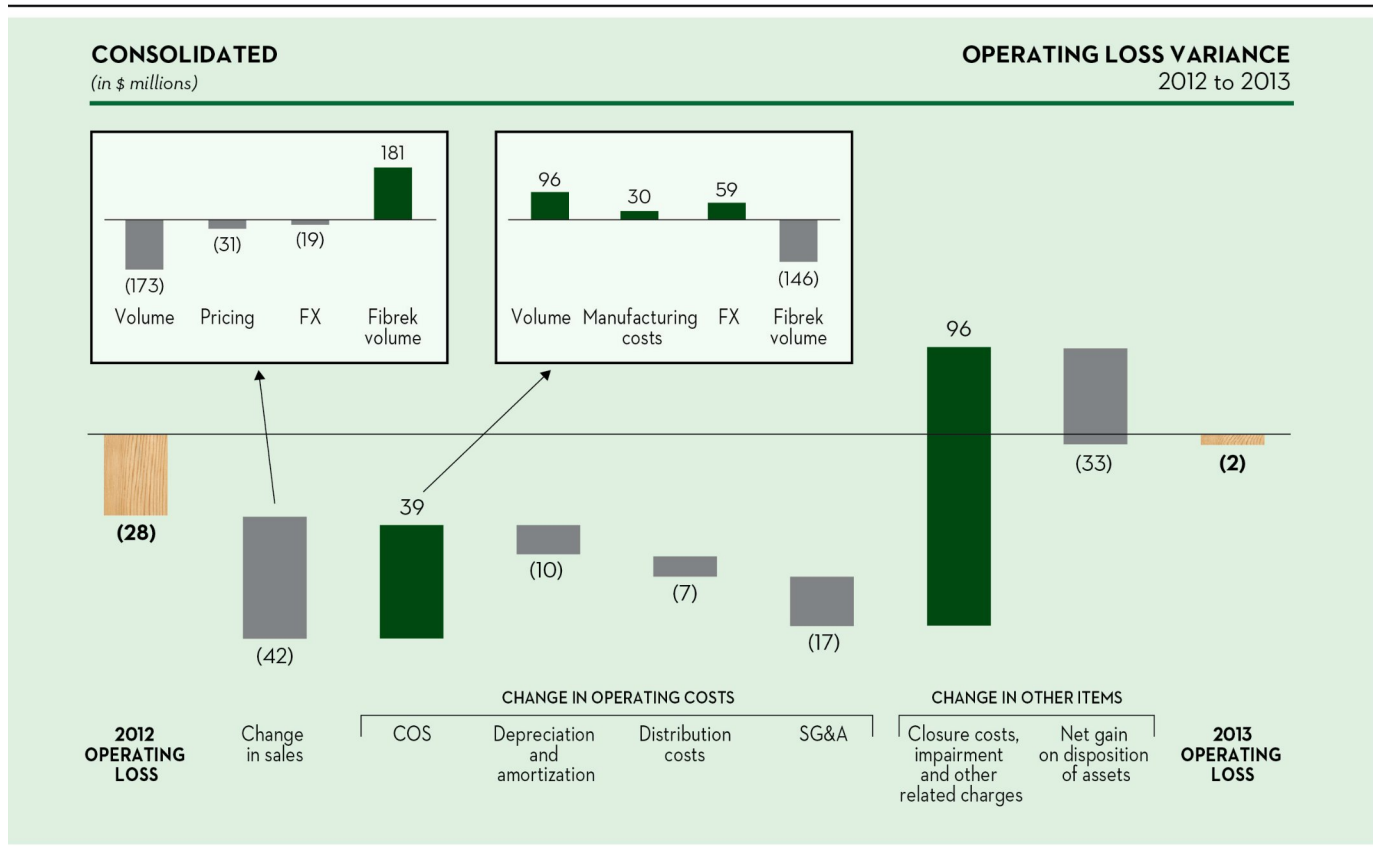
Income taxes

We recorded an income tax benefit of \$22 million in the fourth quarter of 2014, on a loss before income taxes of \$130 million, compared to an expected income tax benefit of \$45 million based on the U.S. federal statutory income tax rate of 35%. The difference reflects the unfavorable effects of foreign exchange related items and a net increase in valuation allowances, primarily related to our U.S. operations, where we no longer recognize deferred income tax assets, partly offset by a tax benefit

recognized on the reversal of our valuation allowance related to Fibrek Holding Inc., a Canadian wholly-owned subsidiary. In the fourth quarter of 2013, we recorded a \$22 million income tax benefit on a loss before income taxes of \$24 million, reflecting a favorable adjustment to the valuation allowance.

2013 vs. 2012

Operating loss variance analysis



Sales

Our sales were \$4,461 million in 2013, \$42 million lower, or 1%, than in 2012. Excluding the impact of the Fibrek acquisition, volume had a \$173 million impact, which reflects our efforts to optimize the asset base, maximizing the utilization of our most cost-effective mills and streamlining production to adapt to changing market dynamics. Accordingly, at the end of 2013 we operated four fewer machines overall compared to the start of 2012, not including the three pulp mills we acquired with Fibrek.

Overall pricing fell by \$31 million in 2013. The pricing drop in newsprint (\$84 million) and specialty papers (\$24 million) more than offset higher pricing in wood products (\$59 million) and market pulp (\$18 million). Currency fluctuations unfavorably affected sales by \$19 million.

The former Fibrek mills generated an additional \$181 million of sales volume compared to the year-ago period, reflecting their consolidation within our financial statements from only May 2, 2012, onward, and extensive downtime in the third quarter of 2012 to improve the Saint-Félicien pulp mill's operational and environmental performance.

Compared to 2012, we took approximately 242,000 metric tons less downtime in the newsprint, specialty and market pulp segments, not including downtime at machines later closed or idled and whose production capacity was not replaced.

Cost of sales, excluding depreciation, amortization and distribution costs

COS improved by \$39 million in 2013, reflecting the favorable effect of the weaker Canadian dollar and lower overall manufacturing costs, partially offset by the unfavorable effects of higher volume, the net result of additional volume from the three former Fibrek pulp mills over the lower non-Fibrek volume.

Manufacturing costs improved as a result of:

- asset optimization and mill restructuring initiatives (\$42 million);
- additional external power sales from new cogeneration facilities (\$36 million); and
- lower power costs (\$7 million);

offset in part by:

- higher maintenance costs (\$19 million);
- higher fuel energy costs because of natural gas pricing (\$16 million); and
- increased overall fiber costs (\$6 million).

The net increase in fiber costs reflects higher log costs in the wood products segment and higher wood costs in the U.S. southeast pulp and paper mills due to wet weather, offset in part by more efficient fiber usage, as well as lower chip and recovered paper costs.

Other items that were not production-related but still affected the manufacturing costs variance included:

- costs associated with mill restarts net of lower costs for non-operating sites (\$8 million);
- the timing of the receipt of insurance proceeds (\$4 million); and
- an increase in the net pension and OPEB expense (\$7 million), due primarily to the amortization of actuarial losses starting in 2013;

which more than offset a non-cash obsolescence provision for slow-moving spare parts taken in 2012 (\$10 million).

Depreciation and amortization

Depreciation and amortization increased by \$10 million due to the acquisition of the three Fibrek pulp mills.

Selling, general and administrative expenses

SG&A was \$17 million higher in 2013 largely because of credits we recorded in 2012, including a refund of certain group benefit premiums paid in prior years (\$11 million).

Closure costs, impairment and other related charges

See the corresponding variance analysis under “- *Segment Earnings - Corporate and Other*” below.

Net gain on disposition of assets

Compared to \$2 million in 2013, we recognized a net gain on disposition of assets of \$35 million in 2012, mainly as a result of the sale of timberlands in Nova Scotia in the first quarter.

Net (loss) income variance analysis

Net loss was \$639 million in 2013, or \$6.75 per share, compared to net income of \$1 million, or \$0.01 per share, in 2012.

Interest expense

Interest expense was \$51 million in 2013, down by \$15 million, reflecting:

- the lower principal amount of 10.25% senior secured notes due 2018 following the \$85 million redemption in October of 2012; and
- the refinancing, in the second quarter of 2013, of the senior secured notes with 5.875% senior unsecured notes due 2023.

Other (expense) income, net

The \$62 million we recorded as other expense, net, was the product of:

- a net loss on extinguishment of debt (\$59 million), which reflects the tender offer premium paid to holders of the 2018 notes (\$84 million), net of the write-down of the associated unamortized premium (\$25 million); and
- a foreign currency loss from the translation of Canadian dollar net monetary assets (\$24 million);

offset by:

- the forgiveness of a note payable in connection with our acquisition of a former joint venture partner's interest in CNC (\$12 million); and
- a distribution from the liquidation of a former U.K. subsidiary (\$12 million).

By comparison, we recorded other income, net, of \$22 million in 2012, including a \$17 million foreign exchange gain from the translation of Canadian dollar net monetary assets and other income items of \$16 million, partially offset by \$11 million of post-emergence costs.

Income taxes

We recorded a \$524 million income tax provision in 2013, on a loss before income taxes of \$115 million, compared to an expected income tax benefit of \$40 million based on the U.S. federal statutory income tax rate of 35%. The difference largely reflects a net valuation allowance increase of \$572 million, most of which relates to a charge recorded to establish a full valuation allowance against our net U.S. deferred income tax assets.

We recorded a \$39 million income tax benefit in 2012, on a loss before income taxes of \$72 million, compared to an expected income tax benefit of \$25 million based on the U.S. federal statutory income tax rate of 35%. This difference reflects the favorable impacts related to reorganization-related tax adjustments, foreign exchange related items, research and development tax incentives, as well as adjustments to unrecognized tax benefits, offset by a net increase in valuation allowances. This net increase in valuation allowances was primarily due to the costs associated with the idling of our investment in Bowater Mersey Paper Company Limited, net of the benefits of an internal reorganization of our U.S. Fibrek subsidiaries.

Noncontrolling interests

In 2012, we recorded a loss of \$34 million attributable to noncontrolling interests, representing our former joint venture partner's share of the impairment, severance costs and other charges related to the indefinite idling of the Mersey, Nova Scotia, newsprint mill, partially offset by the partner's share of the gain from the sale of timberlands in Nova Scotia.

Segment Earnings

We manage our business based on the products we manufacture. Our reportable segments correspond to our principal product lines: newsprint, specialty papers, market pulp and wood products.

We do not allocate any of the income or loss items following "operating loss" in our consolidated statements of operations to our segments because those items are reviewed separately by management. Similarly, we do not allocate to the segments: closure costs, impairment and other related charges; severance costs; inventory write-downs related to closures; start-up costs; net gain on disposition of assets; transaction costs; as well as other discretionary charges or credits.

We allocate depreciation and amortization, and SG&A to the segments, with the exception of severance costs and certain other discretionary charges and credits, which we present under "corporate and other."

NEWSPRINT

Highlights

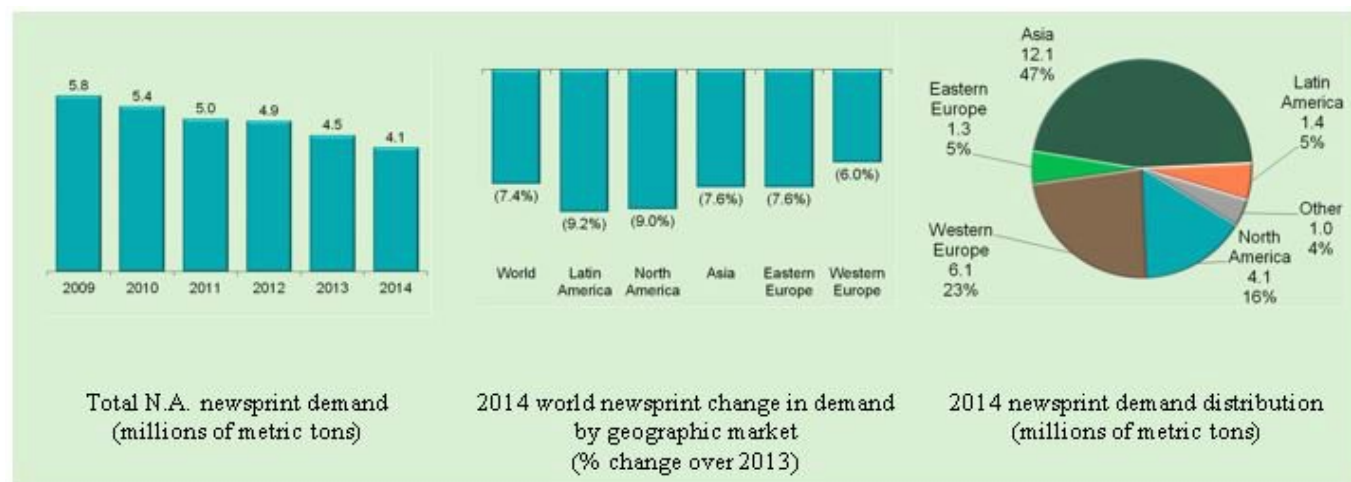
<i>(in millions, except where otherwise stated)</i>	Years Ended December 31,		
	2014	2013	2012
Sales	\$ 1,402	\$ 1,473	\$ 1,627
Operating income ⁽¹⁾	23	40	97
EBITDA ⁽²⁾	92	113	169
<i>(in thousands of metric tons)</i>			
Shipments	2,371	2,392	2,491
Downtime	196	141	260
Inventory at end of period	115	99	90

(1) Net income including noncontrolling interests is equal to operating income in this segment.

(2) EBITDA, a non-GAAP financial measure, is reconciled below. For more information on the calculation and reasons we include this measure, see note 1 under “Results of Operations – Consolidated Earnings – Selected Annual Financial Information” above.

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Net income including noncontrolling interests	\$ 23	\$ 40	\$ 97
Depreciation and amortization	69	73	72
EBITDA	92	113	169

Industry trends

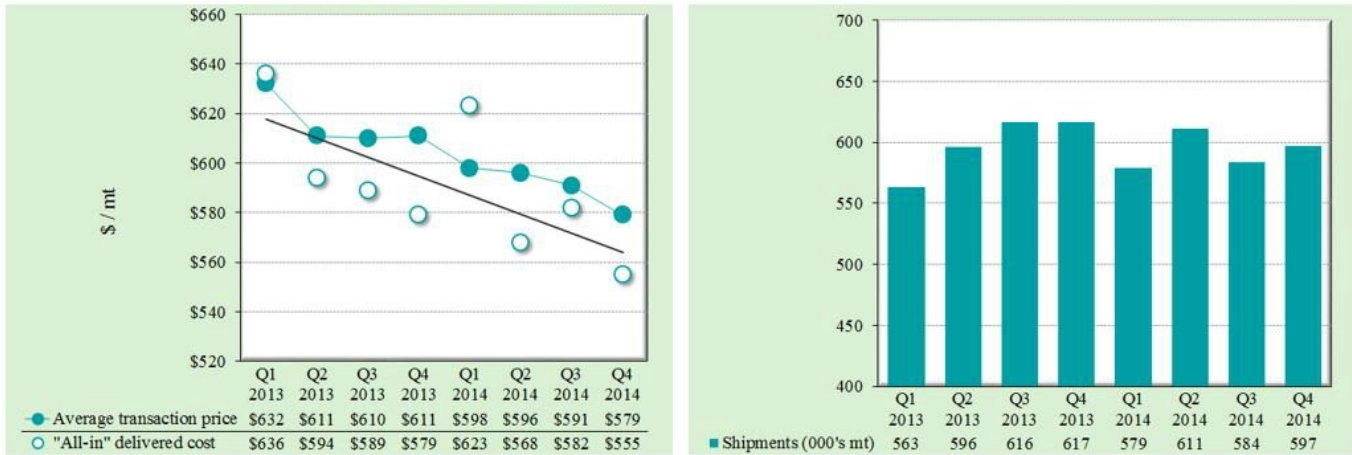


Source: Pulp & Paper Products Council (or “PPPC”)

Total 2014 North American demand for newsprint fell by 9%. Demand from commercial printers was up by 3%, but demand from newspaper publishers was down by 12% compared to 2013. Global demand for newsprint was down by 7%, with Latin America down by 9%, Asia down by 8% and Europe down by 6%.

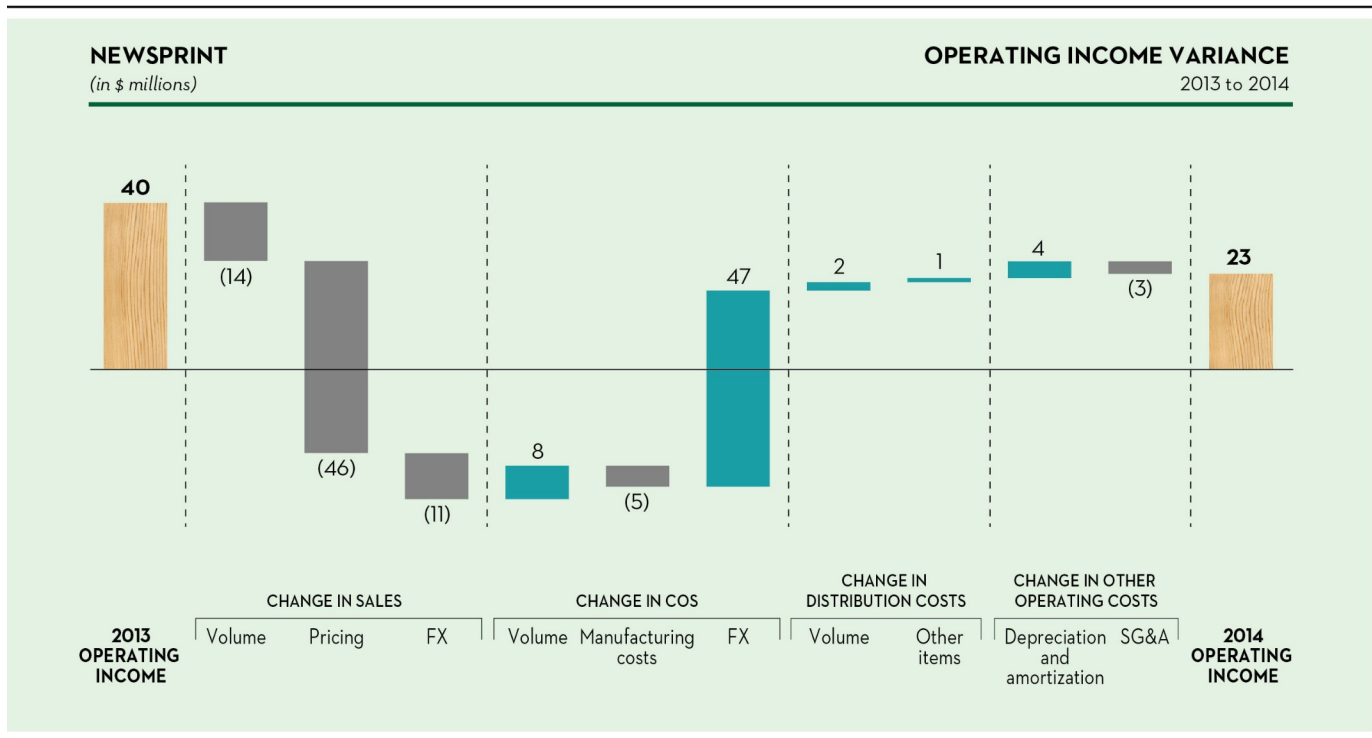
The lower demand in China, and the strength of the U.S. dollar against the euro and the rapidly devaluing Russian ruble, have made it difficult for North American newsprint producers to compete in Asia, as European and Russian producers have used their currency advantage to gain market share. Accordingly, North American exports to Asia were down by 17% in 2014. Consumption in Latin America has also declined as a result of their weaker currencies and softer macroeconomic conditions, a trend that accelerated in the second half of 2014. The net result has been lower export volumes out of North America, causing a more competitive domestic environment.

Operational Performance



2014 vs. 2013

Operating income variance analysis



Sales

Sales slipped by \$71 million, or 5%, to \$1,402 million, due to the \$25 per metric ton drop in average transaction price, a 4% reduction that highlights the challenges facing the global newsprint business. The drop also includes the unfavorable effect of the weaker Canadian dollar on sales denominated in that currency.

2014 newsprint shipments were down by only 1%, compared to the 9% and 7% drop in North American and world demand, respectively. With domestic shipments up by 5% and international shipments down by 9%, our domestic shipments represented 60% of total newsprint shipments in 2014. We accumulated 16,000 metric tons of inventory in 2014.

As a result of our capacity initiatives, we've reduced our annualized capacity by 465,000 metric tons, representing:

- the closure of the Iroquois Falls mill in the fourth quarter of 2014;
- the closure of a paper machine in Baie-Comeau, Québec, in the fourth quarter of 2014; and
- the closure of a paper machine in Clermont, Québec, in the first quarter of 2015.

We recorded 55,000 metric tons more downtime than last year, mostly in the third quarter of this year, to reduce finished goods inventory and because of wood shortages at certain Québec mills.

Cost of sales, excluding depreciation, amortization and distribution costs

Segment COS were \$50 million lower during the year, reflecting, in addition to the lower volumes, a \$47 million benefit from the weaker Canadian dollar, offset by a \$5 million increase in manufacturing costs due to:

- the unfavorable effect of the abnormally cold winter (\$21 million), particularly the cost of electricity at the Ontario mills; and
- higher maintenance costs (\$7 million);

partially offset by:

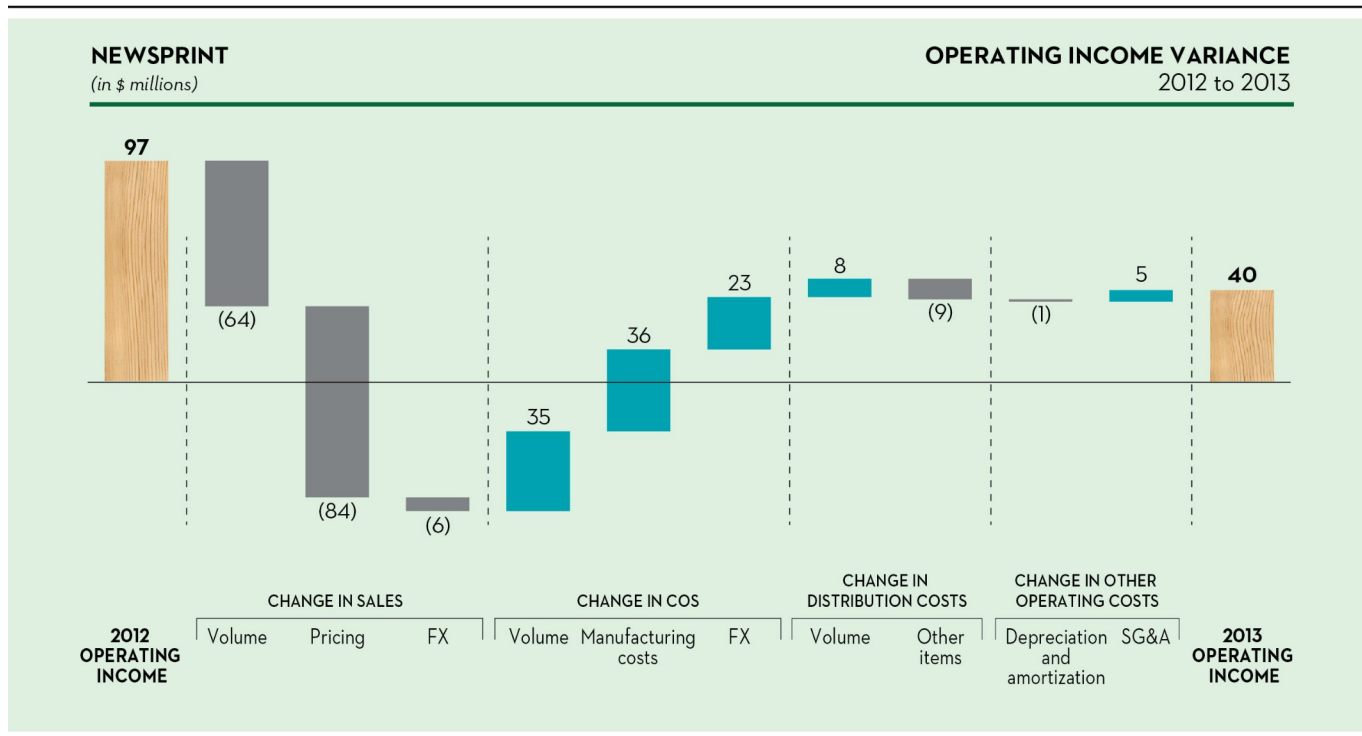
- full year operation of the Thunder Bay cogeneration facility, partly offset by additional maintenance (\$8 million);
- the recognition of an energy savings incentive in the U.S. Southeast (\$6 million);
- lower internal chip prices (\$5 million); and
- lower pension and OPEB expenses (\$4 million).

Depreciation and amortization

Depreciation and amortization was lower, mostly as a result of the sale of our recycling assets.

2013 vs. 2012

Operating income variance analysis



Sales

Newsprint sales were \$1,473 million, down by \$154 million, or 9%, as a result of a 6% drop in average transaction price, or \$37 per metric ton, and a 4% reduction in shipments, or 99,000 metric tons. The drop in shipments reflects our initiatives to optimize mill assets in response to changing market dynamics. As a result, we've reduced our annualized capacity by 285,000 metric tons, representing:

- the closure, in the second quarter of 2012, of the Mersey newsprint mill; and
- the idling of the Calhoun newsprint machine, net of the corresponding restart of the Gatineau newsprint mill in the second quarter of 2013.

Among other advantages, the Gatineau mill benefits from a more competitive cost position, in part due to its ability to make external power sales from its cogeneration facility.

We took 79,000 metric tons less downtime in 2013, not including 2012 downtime at the Mersey mill (40,000 metric tons), which represents a net capacity reduction. Our export volume represented 44% of total shipments, compared to 41% in 2012.

Cost of sales, excluding depreciation, amortization and distribution costs

Segment COS improved by \$94 million in 2013. In addition to the effect of lower volume and the weaker Canadian dollar, there was a \$36 million improvement in manufacturing costs, which was favorably affected by:

- asset optimization initiatives and lower labor costs because of restructuring initiatives (\$31 million); and
- external sales of power from our new cogeneration facilities, and lower chip and recovered paper pricing (\$29 million).

Manufacturing costs were unfavorably affected by:

- higher maintenance costs (\$8 million);
- higher fuel energy costs, mostly because of natural gas pricing (\$7 million); and
- the receipt of insurance proceeds in 2012 for the 2011 roof collapse at our Clermont mill (\$7 million).

Distribution costs

Excluding the effect of volume, distribution costs rose by \$9 million, mostly as a result of an increase in our export business from North American mills and the closure of the Calhoun newsprint machine.

Selling, general and administrative expenses

Segment SG&A fell by \$5 million as a result of higher allocation to the market pulp segment following the acquisition of Fibrek.

SPECIALTY PAPERS

Highlights

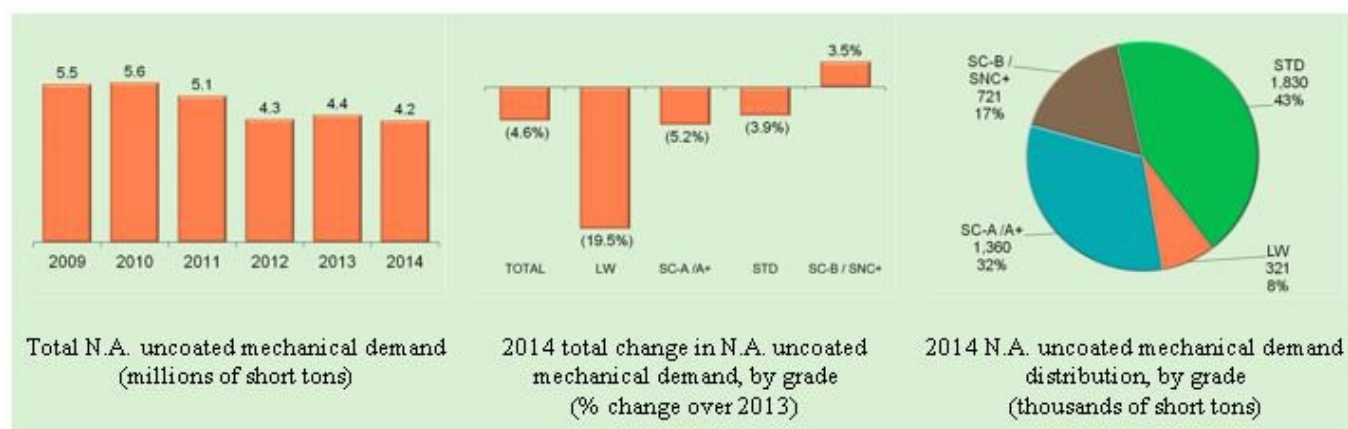
<i>(in millions, except where otherwise stated)</i>	Years Ended December 31,		
	2014	2013	2012
Sales	\$ 1,272	\$ 1,366	\$ 1,562
Operating (loss) income ⁽¹⁾	(17)	35	85
EBITDA ⁽²⁾	65	112	168
<i>(in thousands of short tons)</i>			
Shipments	1,778	1,837	2,054
Downtime	126	188	192
Inventory at end of period	83	96	82

(1) Net (loss) income including noncontrolling interests is equal to operating (loss) income in this segment.

(2) EBITDA, a non-GAAP financial measure, is reconciled below. For more information on the calculation and reasons we include this measure, see note 1 under “Results of Operations – Consolidated Earnings – Selected Annual Financial Information” above.

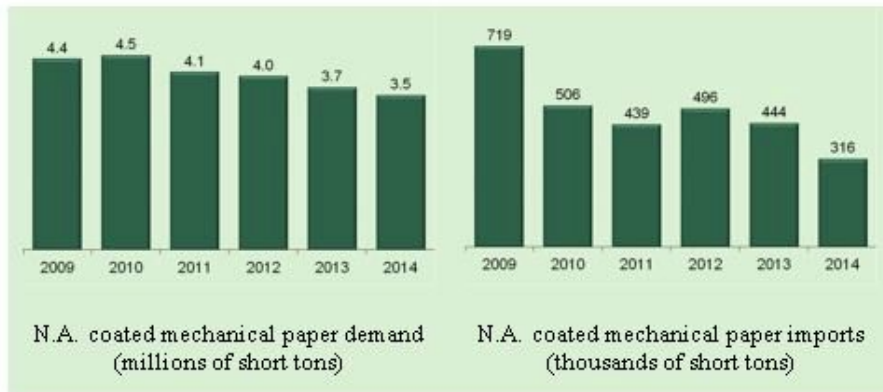
<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Net (loss) income including noncontrolling interests	\$ (17)	\$ 35	\$ 85
Depreciation and amortization	82	77	83
EBITDA	65	112	168

Industry trends



Source: PPPC

North American demand for uncoated mechanical papers was down by 5% in 2014. Demand for supercalender grades, which made up 27% of our specialty papers shipments in 2014, was down by 2%. North American demand for standard grades was down by 4%; shipments of super-brights, high-brights and uncoated freesheet substitutes, which are another 34% of our total specialty papers shipments, were unchanged. The industry shipment-to-capacity ratio was 91% for the year, down by 1%.



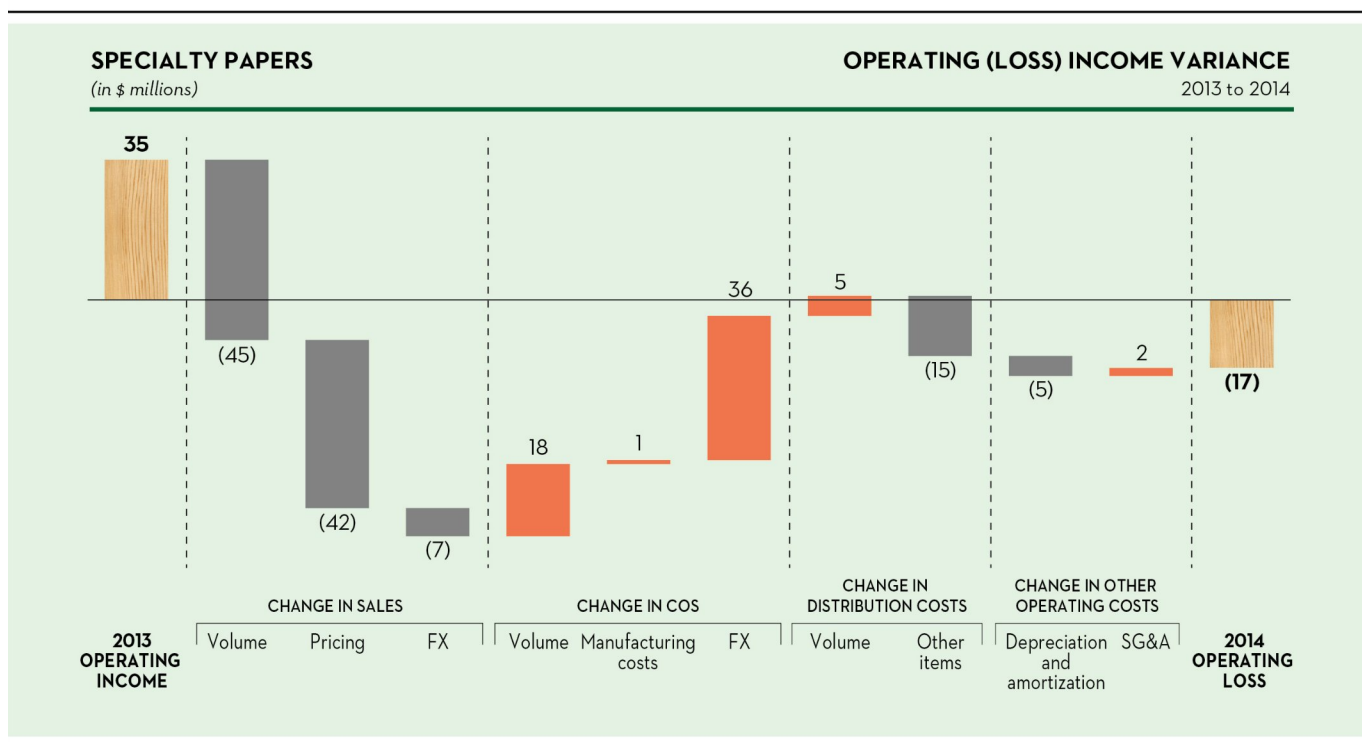
Source: PPPC

Demand for coated mechanical papers was down by 5% for the year, but shipments improved significantly in the fourth quarter, largely due to customer inventory restocking. When adjusted for late-year industry capacity closures, the shipment-to-capacity ratio rose to 94% for the year, up by 1% from last year.

Operational Performance



Operating (loss) income variance analysis

*Sales*

Specialty papers sales were down by \$94 million, or 7%, to \$1,272 million. Shipments were 59,000 short tons lower (53,500 metric tons) as a result of weather-related production disruptions, mechanical failures in Catawba, South Carolina, and lower production following the closure of our Fort Frances and Laurentide mills. The average transaction price was \$29 per short ton lower, or 4%, most of which is due to the significant erosion in coated mechanical paper prices in the first nine months of the year due to industry excess supply. We reduced inventory by 13,000 short tons (11,800 metric tons) during the year, mostly in the fourth quarter.

As a result of our capacity initiatives, we've reduced our annualized capacity by 248,000 short tons (225,000 metric tons), representing:

- the closure of a previously idled paper machine at Catawba in the second quarter of 2014;
- the closure of a paper machine at Iroquois Falls in the second quarter of 2014;
- the closure of a previously idled paper machine at Fort Frances in the second quarter of 2014; and
- the closure of the Laurentide mill in the fourth quarter of 2014;

partly offset by:

- the restart of a paper machine in Calhoun in the first quarter of 2014.

We recorded 56,000 short tons (50,800 metric tons) of downtime associated with the idled Catawba and Fort Frances machines in the first quarter of 2014, and none thereafter given the timing of the closure announcements. We recorded 146,000 short tons of downtime (132,500 metric tons) associated with the idled Catawba machine in 2013. After removing the downtime associated with those machines, the remaining increase includes market downtime, additional maintenance and lost production due to the abnormally cold weather in the first quarter of 2014.

Cost of sales, excluding depreciation, amortization and distribution costs

COS improved by \$55 million in 2014. But after removing the favorable effects of the weaker Canadian dollar and lower volume, manufacturing costs were essentially unchanged, which reflects:

- the effect of asset optimization initiatives (\$17 million);
- lower pension and OPEB expenses (\$16 million); and
- lower chip prices (\$3 million);

offset in part by:

- the abnormally cold winter in the first quarter (\$11 million), including a significant increase in steam costs, particularly at our U.S. Southeast mills;
- higher fuel and power costs mainly due to higher natural gas pricing and unfavorable usage (\$11 million);
- costs associated with mechanical failures (\$5 million);
- higher bark costs at the Dolbeau cogeneration facility (\$3 million); and
- the timing of business interruption insurance proceeds received in 2013 (\$3 million).

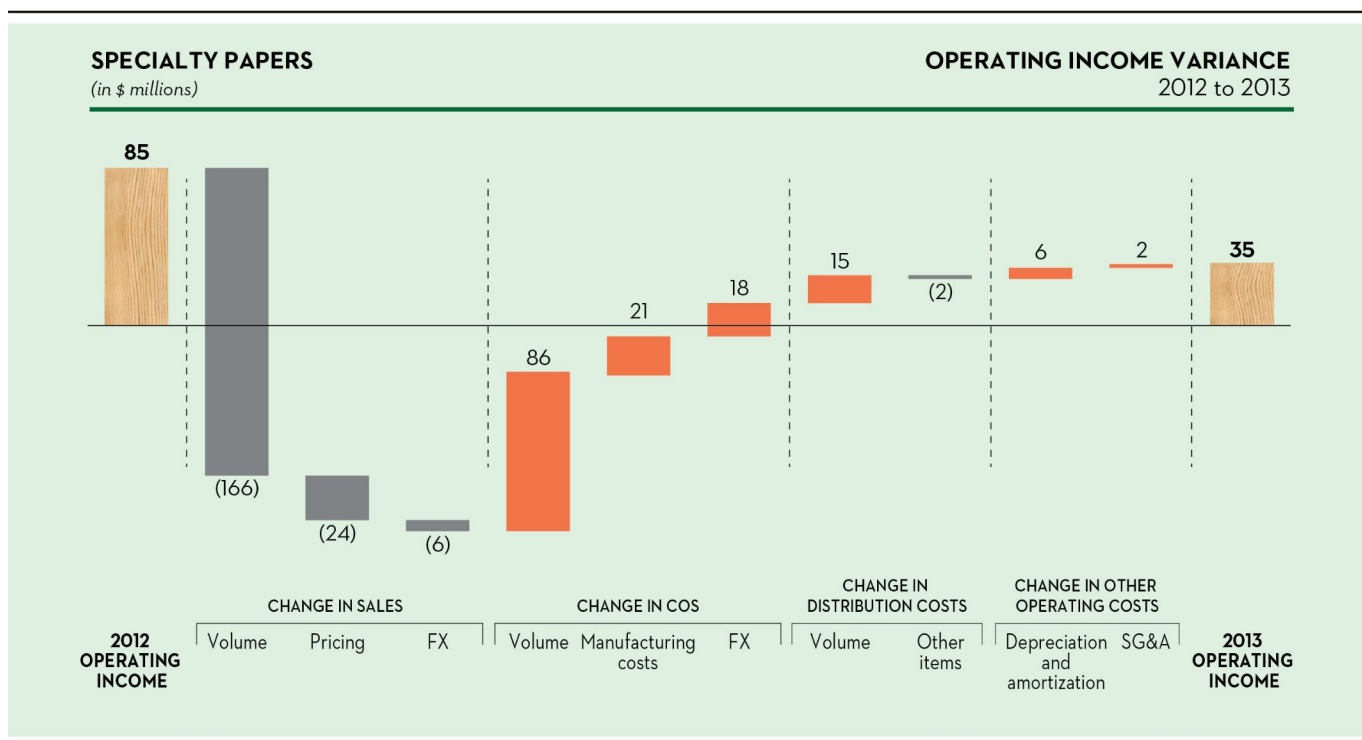
Distribution costs

Distribution costs were higher as a result of weather-related increases in freight and warehousing costs in the first two quarters of the year, but also because of higher inventory levels and an increase in average length of haul.

Depreciation and amortization

The increase in depreciation and amortization reflects a change to the estimated useful life of a hydroelectric asset following an agreement we reached with the province of Québec in the first quarter to renew the associated water rights (\$10 million), partly offset by lower depreciation (\$7 million) as a result of the closure of a machine at our Catawba mill and the permanent closure of the Laurentide mill.

Operating income variance analysis

*Sales*

Specialty papers sales were \$1,366 million in 2013, a \$196 million decrease, or 13%, reflecting the unfavorable effect of a 197,000 metric ton (217,000 short tons) decrease in shipments and a 2% drop in average transaction price, or \$16 per short ton. The drop in shipments reflects our efforts to optimize the asset base, maximizing the utilization of our most cost-effective mills and streamlining production to adapt to changing market dynamics. As a result, we've reduced our annualized capacity by 220,000 metric tons (243,000 short tons), representing:

- the indeterminate idling of a coated paper machine at our Catawba mill (June 2012);
- the indefinite idling of a high-bright and book paper machine at our Fort Frances mill (November 2012); and
- the permanent closure of a high-gloss paper machine at our Laurentide mill, and the corresponding restart of the Dolbeau high-gloss paper machine (October 2012).

Not including 125,000 metric tons (138,000 short tons) of 2012 downtime at Catawba and Fort Frances, which represents net capacity reductions, we took 16,000 metric tons (18,000 short tons) less downtime in 2013.

Cost of sales, excluding depreciation, amortization and distribution costs

Segment COS improved by \$125 million in 2013. Other than the effect of volume and the favorable effect of the weaker Canadian dollar, manufacturing costs improved by \$21 million as a result of:

- external sales of power from our new cogeneration facilities and lower labor costs as a result of restructuring initiatives (\$15 million);
- more efficient fiber usage and lower chip and recovered paper pricing (\$15 million);
- lower electricity costs, mostly due to lower consumption in the U.S. Southeast (\$9 million);
- lower usage of coating chemicals (\$6 million); and
- the receipt in 2013 of a business interruption insurance claim relating to a 2012 fire at our Dolbeau facility (\$3 million);

partially offset by:

- higher unscheduled maintenance and repair costs (\$16 million);
- higher wood costs in the U.S. southeast, including as a result of wet weather and usage (\$6 million); and
- higher fuel energy costs, mostly because of higher natural gas prices (\$5 million).

Depreciation and amortization

Depreciation and amortization decreased by \$6 million, reflecting lower depreciation as a result of the reduced carrying value of idled assets.

MARKET PULP

Highlights

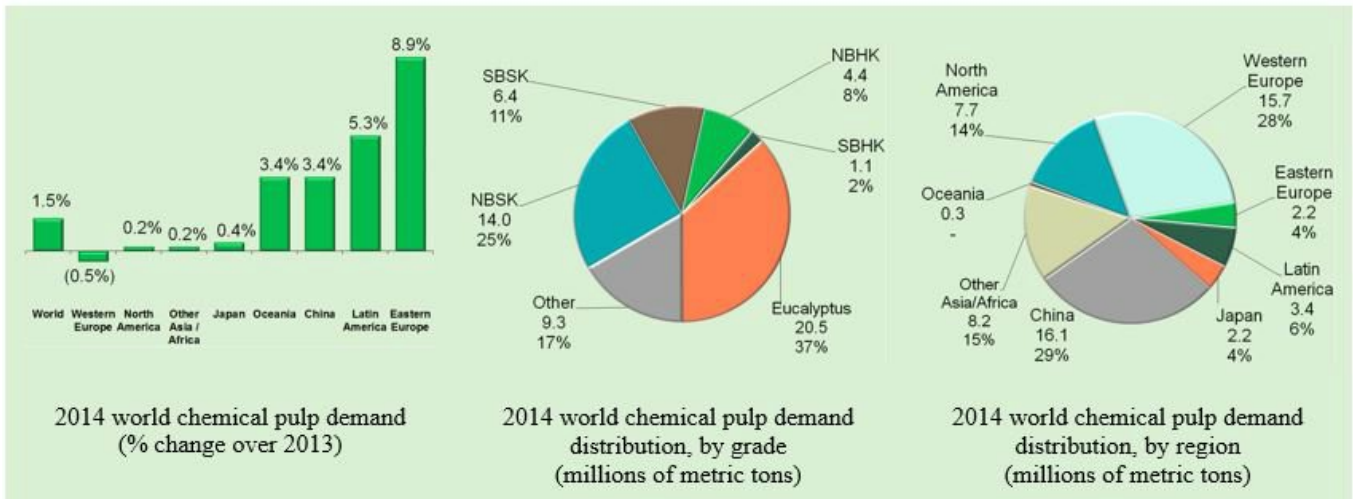
<i>(in millions, except where otherwise stated)</i>	Years Ended December 31,		
	2014	2013	2012
Sales	\$ 974	\$ 1,053	\$ 814
Operating income (loss) ⁽¹⁾	66	42	(43)
EBITDA ⁽²⁾	119	94	1
<i>(in thousands of metric tons)</i>			
Shipments	1,383	1,583	1,254
Downtime	91	51	300
Inventory at end of period	93	81	121

⁽¹⁾ Net income (loss) including noncontrolling interests is equal to operating income (loss) in this segment.

⁽²⁾ EBITDA, a non-GAAP financial measure, is reconciled below. For more information on the calculation and reasons we include this measure, see note 1 under “*Results of Operations – Consolidated Earnings – Selected Annual Financial Information*” above.

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Net income (loss) including noncontrolling interests	\$ 66	\$ 42	\$ (43)
Depreciation and amortization	53	52	44
EBITDA	119	94	1

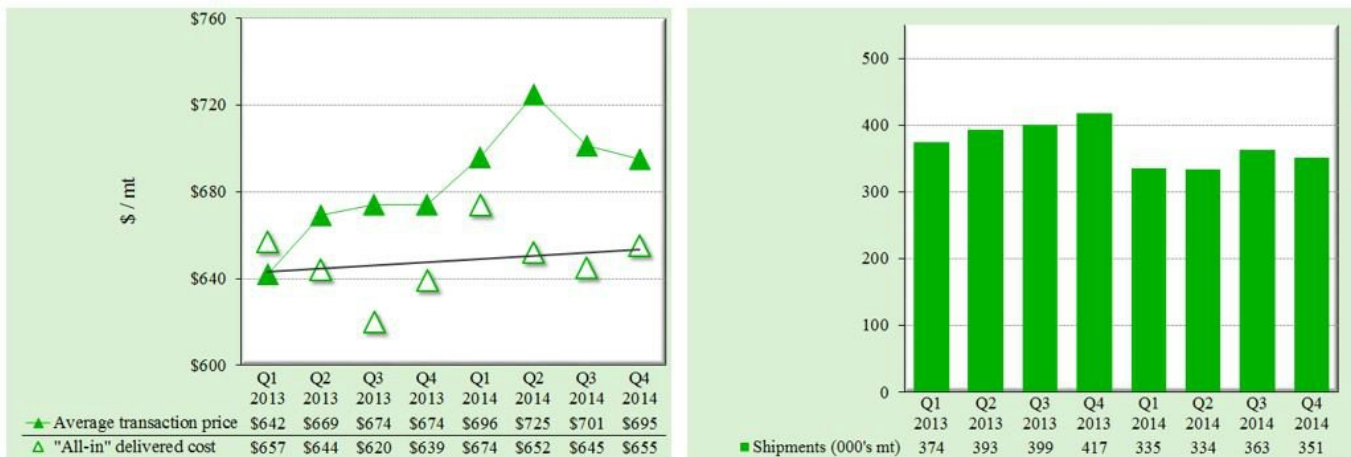
Industry trends



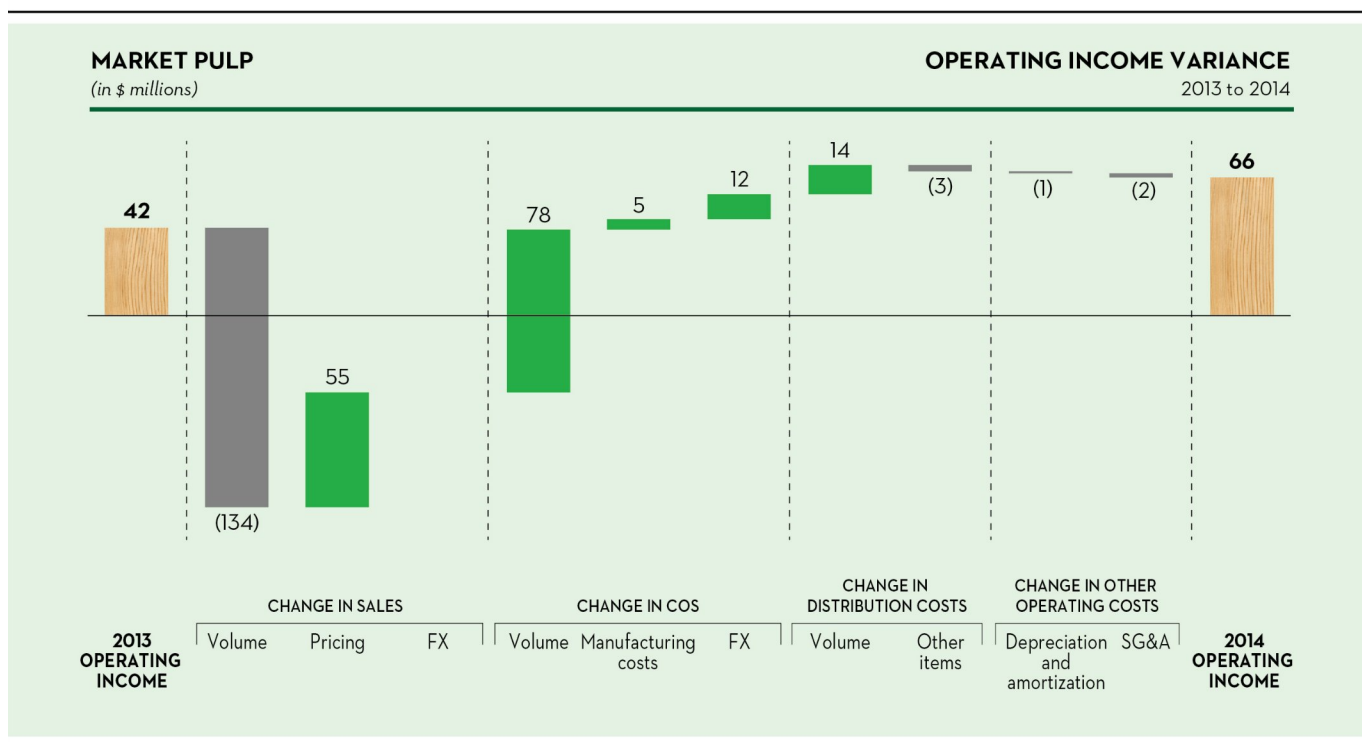
Source: PPPC

The total chemical pulp market grew by almost one million tons in 2014, up by 2%. Demand in Latin America was up by 5%, and China by 3%; North American demand was flat, and it was down by 1% in Western Europe. Overall hardwood demand was up by 3%, as the market absorbed major new eucalyptus capacity. Despite this increase, softwood demand was flat.

Operational Performance



Operating income variance analysis

*Sales*

Sales were \$79 million lower, or 8%, to \$974 million in 2014. The average transaction price improved by \$39 per metric ton, or 6%, reflecting stronger market prices for softwood and fluff grades, and, to a lesser extent, recycled grades. Shipments, however, were 200,000 metric tons lower, or 13%, because of more internal consumption - including Calhoun hardwood kraft pulp redirected to make paper grades higher up in the value chain (the equivalent of approximately 60,000 metric tons) - as well as a production slowback in RBK and equipment failures.

We accumulated 12,000 metric tons of finished goods inventory during the year, compared to a decrease of 40,000 metric tons last year mostly because of a shipment delay at year-end.

Cost of sales, excluding depreciation, amortization and distribution costs

COS were \$95 million lower in 2014; manufacturing costs improved by \$5 million after removing the effect of the lower volume and weaker Canadian dollar. This reflects the favorable effect of:

- lower pension and OPEB expenses (\$8 million);
- lower power, steam and chip costs and other miscellaneous improvements (\$6 million);
- better overall labor costs as a result of restructuring initiatives (\$3 million); and
- lower maintenance at our RBK mills (\$2 million);

offset in part by:

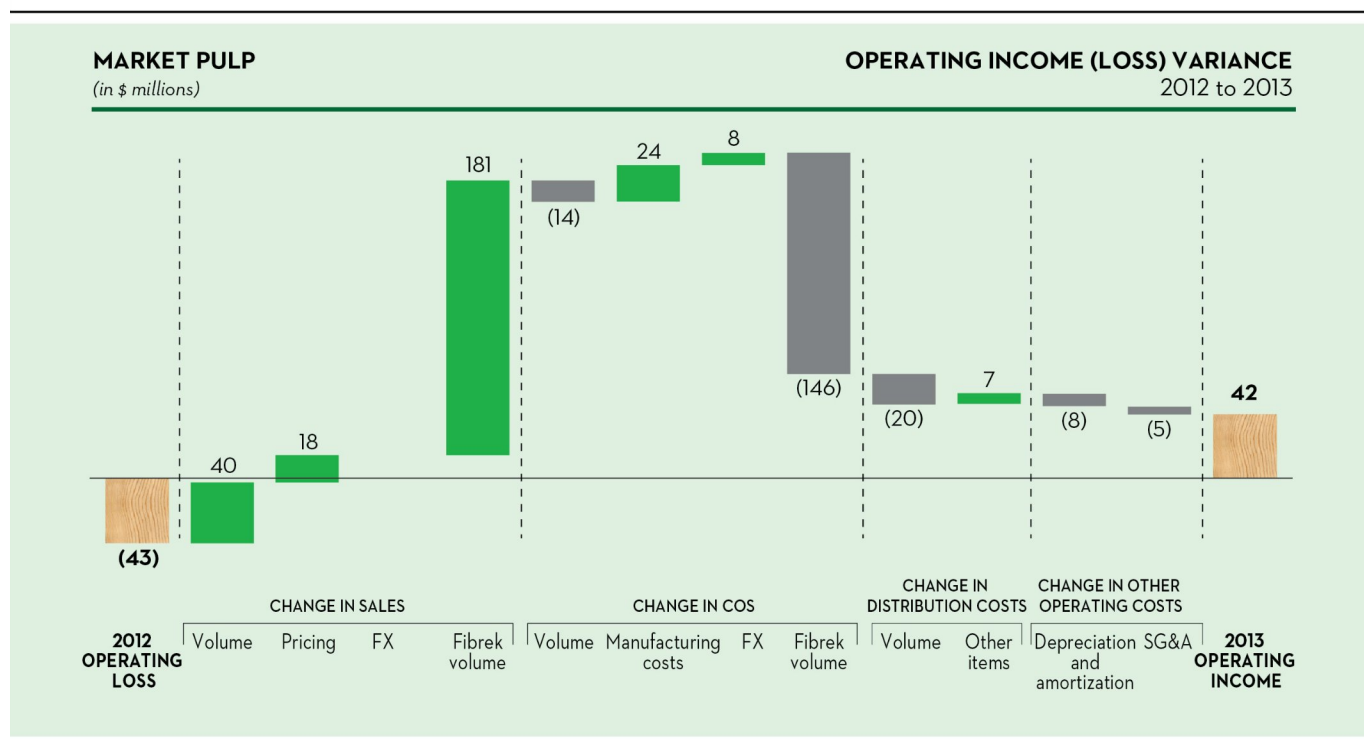
- the abnormally cold winter (\$8 million), including higher steam costs and wood prices in the U.S. Southeast;
- operational disruptions (\$8 million); and
- lower contribution from the cogeneration facility at Saint-Félicien because of mechanical failures (\$4 million).

Distribution costs

Distribution costs were \$11 million lower in 2014, mostly as a result of lower volume.

2013 vs. 2012

Operating income (loss) variance analysis



Sales

Sales in the market pulp segment were \$1,053 million in 2013, an increase of \$239 million, or 29%. The average transaction price was 2% higher in 2013, or \$16 per metric ton. Shipments rose by 329,000 metric tons, or 26%. 263,000 metric tons of the increase relates to the three former Fibrek pulp mills, reflecting the additional four months of results given the timing of the acquisition, as well as more operating time at the Saint-Félicien mill in light of the extensive downtime taken in 2012 to improve its operational and environmental performance. Shipments from non-Fibrek mills rose by 8% as a result of stronger market conditions.

Not including downtime associated with the Fort Frances pulp mill, which represents a net capacity reduction, we took 147,000 metric tons less downtime in 2013 in light of the stronger market conditions and the extensive 2012 downtime at Saint-Félicien.

We idled the Fort Frances kraft pulp mill in November of 2012, reducing the production available for external sales by 63,000 metric tons on an annualized basis. The mill's operational configuration was such that we did not believe it could be operated profitably following the loss of its key customer.

Cost of sales, excluding depreciation, amortization and distribution costs

Segment COS increased by \$128 million in 2013, mainly as a result of our Fibrek acquisition.

Other than the effect of the weaker Canadian dollar, manufacturing costs improved by \$24 million, mostly because of:

- lower chip and recovered paper costs (\$22 million); and
- external power sales from the additional cogeneration capacity at the Saint-Félicien and Thunder Bay mills, and lower maintenance costs compared to the extensive catch-up maintenance at the Saint-Félicien mill in 2012 (\$18 million);

partially offset by:

- higher wood costs in the U.S. southeast due to the wet weather (\$8 million); and
- higher fuel energy costs, mostly because of higher natural gas prices (\$8 million).

Depreciation and amortization

Depreciation and amortization rose by \$8 million, primarily as a result of the addition of the three Fibrek mills.

Selling, general and administrative expenses

Segment SG&A allocation rose by \$5 million as a result of higher allocation to the segment following the acquisition of Fibrek.

WOOD PRODUCTS

Highlights

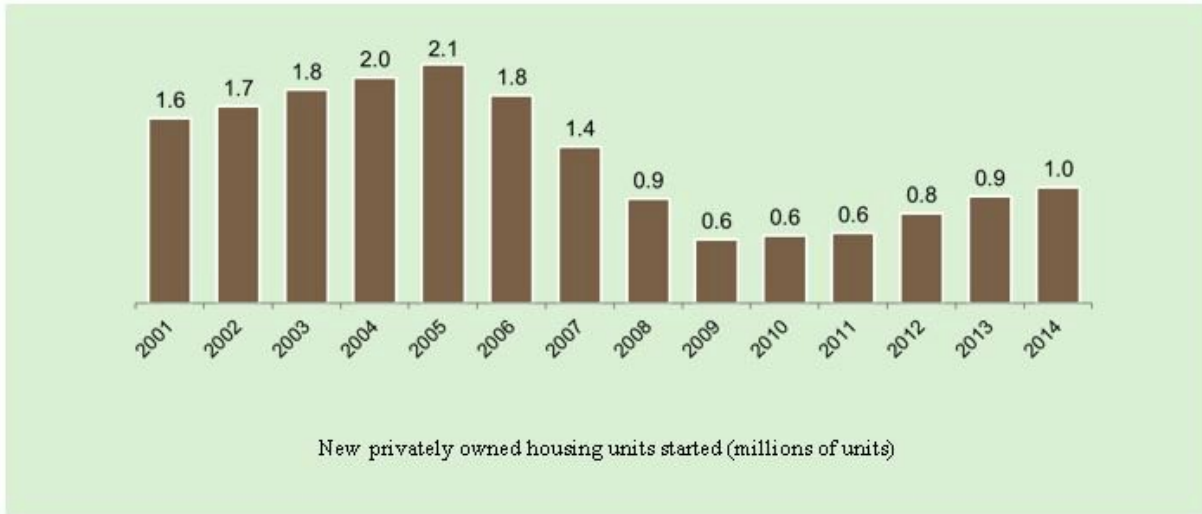
<i>(in millions, except where otherwise stated)</i>	Years Ended December 31,		
	2014	2013	2012
Sales	\$ 610	\$ 569	\$ 500
Operating income ⁽¹⁾	69	41	26
EBITDA ⁽²⁾	102	77	60
<i>(in millions of board feet)</i>			
Shipments	1,585	1,480	1,442
Downtime	170	482	559
Inventory at end of period	117	123	101

⁽¹⁾ Net income including noncontrolling interests is equal to operating income in this segment.

⁽²⁾ EBITDA, a non-GAAP financial measure, is reconciled below. For more information on the calculation and reasons we include this measure, see note 1 under “*Results of Operations – Consolidated Earnings – Selected Annual Financial Information*” above.

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Net income including noncontrolling interests	\$ 69	\$ 41	\$ 26
Depreciation and amortization	33	36	34
EBITDA	102	77	60

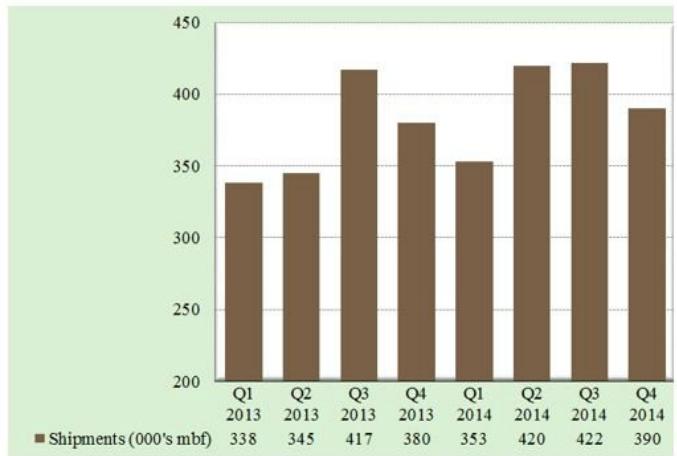
Industry trends



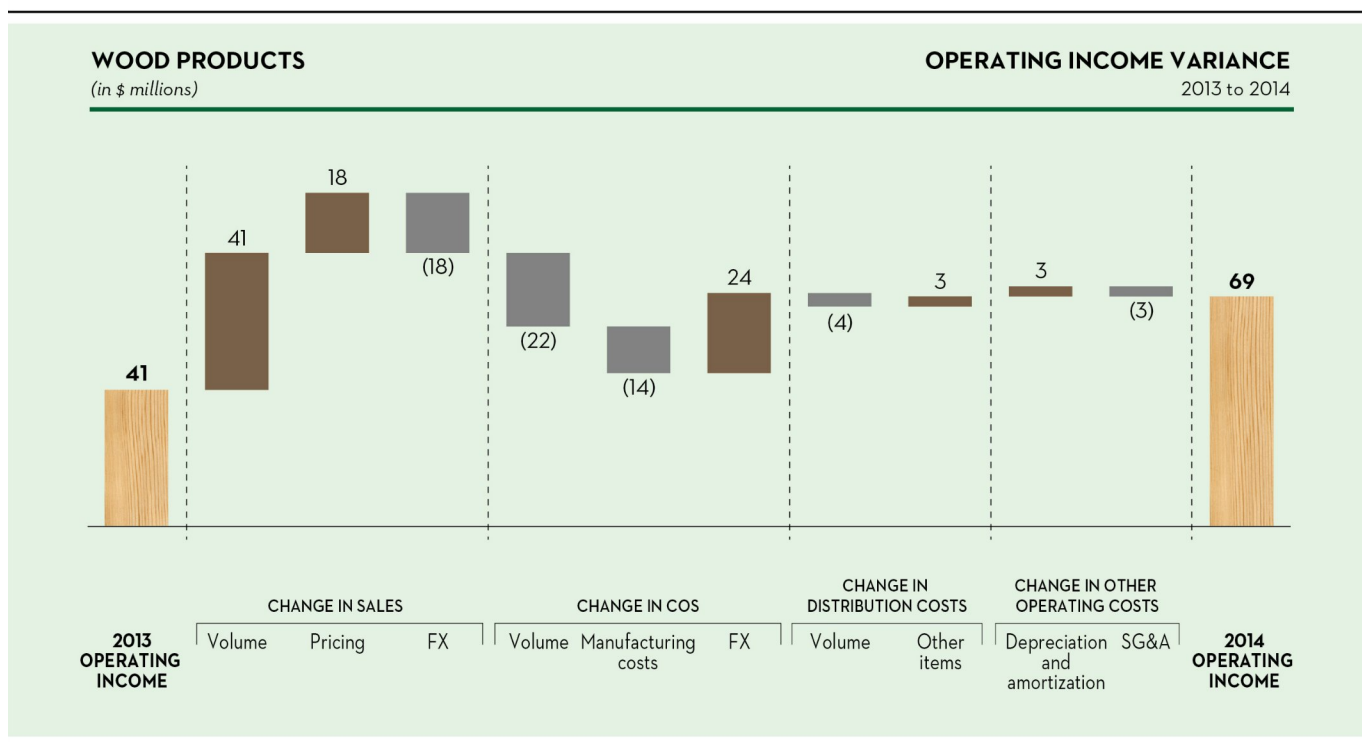
Source : U.S. Census Bureau

2014 housing starts were 9% higher in the U.S., reaching the one million starts level for the first time since 2007.

Operational Performance



Operating income variance analysis

*Sales*

Sales were \$41 million higher, or 7%, to \$610 million, reflecting a 105 million board feet increase in shipments, despite wood shortages affecting certain areas of Québec. This reflects the first stages of our initiatives to grow capacity in line with the gradual recovery in U.S. housing starts, including the 2013 restart of our Maniwaki, Québec, sawmill and the replacement of a Comtois, Québec, sawline, as well as other capacity enhancement initiatives. Despite significant fluctuations in the last two years, the average transaction price in 2014 was essentially unchanged compared to 2013 on a U.S. dollar basis, as higher Canadian pricing was offset by weakening currency.

Cost of sales, excluding depreciation, amortization and distribution costs

After excluding the unfavorable effect of higher volume and the favorable effect of the weaker Canadian dollar, manufacturing costs increased by \$14 million. This is the result of:

- higher log costs in the province of Québec due to the comprehensive modification of the forest tenure system (\$17 million); and
- lower internal wood chip selling prices (\$10 million);

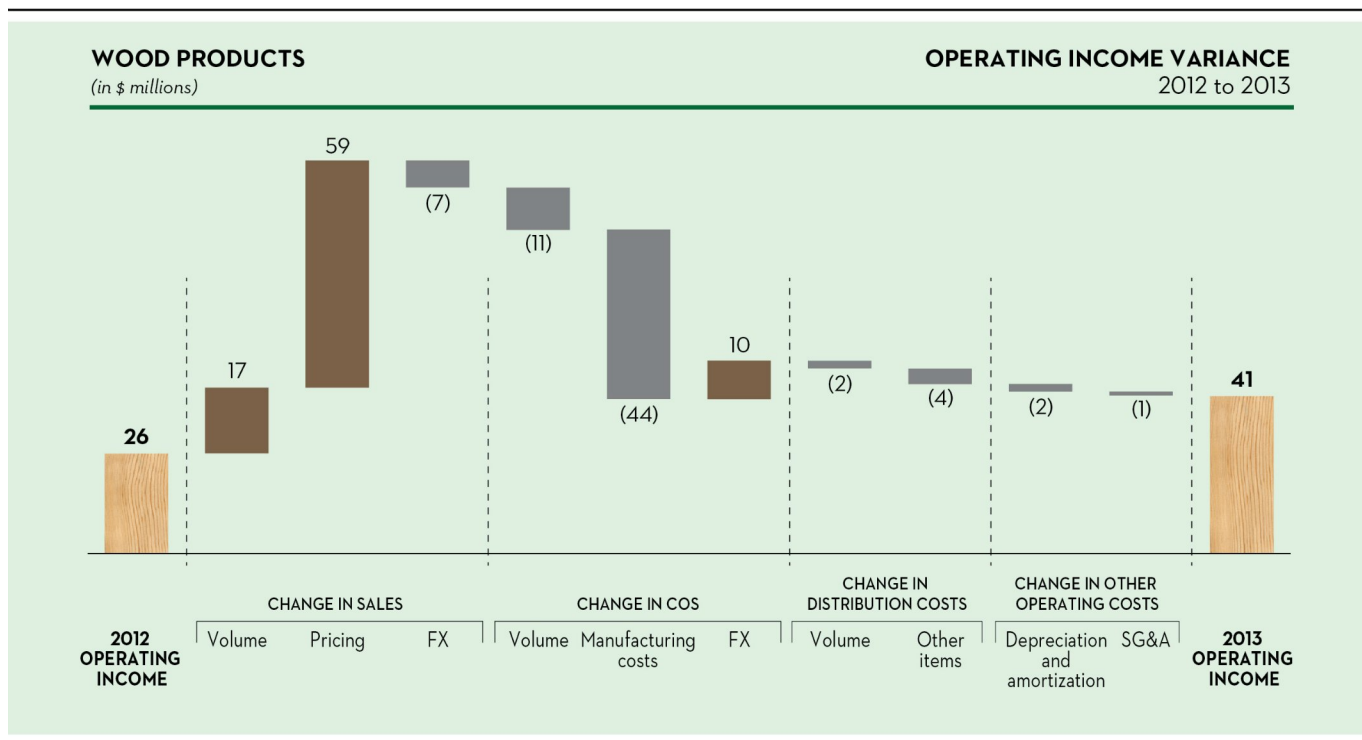
offset in part by:

- the recognition of additional tax credits in connection with infrastructure investments (\$10 million); and
- better fiber usage following process improvements at certain sawmills as well as increased productivity at the new sawline in Comtois (\$3 million).

Depreciation and amortization

Depreciation and amortization decreased as a result of lower net fixed assets following the full amortization of certain assets in 2013.

Operating income variance analysis



Sales

Wood products sales were \$569 million in 2013, a \$69 million increase, or 14%, as a result of an 11% increase in average transaction price, or \$37 per thousand board feet, and a 3% rise in shipments, or 38 million board feet of lumber, both reflecting stronger market conditions.

Cost of sales, excluding depreciation, amortization and distribution costs

Segment COS rose by \$45 million, or 12%. The effect of the increased volume offset the benefit of the weaker Canadian dollar, while manufacturing costs rose by \$44 million because of:

- higher log costs in the province of Québec (\$25 million), including: higher stumpage fees, most of which was lumber market-price related, and other costs associated with the comprehensive modification of the forest tenure system in the province; and
- lower internal wood chip selling prices (\$12 million).

CORPORATE AND OTHER

Highlights

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Cost of sales, excluding depreciation, amortization and distribution costs	\$ (26)	\$ (44)	\$ (37)
Depreciation and amortization	(6)	(5)	—
Selling, general and administrative expenses	(7)	(24)	(6)
Closure costs, impairment and other related charges	(278)	(89)	(185)
Net gain on disposition of assets	2	2	35
Operating loss	\$ (315)	\$ (160)	\$ (193)
Interest expense	(47)	(51)	(66)
Other (expense) income, net	(83)	(62)	22
Income tax benefit (provision)	30	(524)	39
Net loss including noncontrolling interests	(415)	(797)	(198)

The table below shows the reconciliation of net loss including noncontrolling interests to EBITDA and adjusted EBITDA, which are non-GAAP financial measures. For more information on the calculation and reasons we include these measures, see note 1 under “*Results of Operations – Consolidated Earnings – Selected Annual Financial Information*” above.

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Net loss including noncontrolling interests	\$ (415)	\$ (797)	\$ (198)
Interest expense	47	51	66
Income tax (benefit) provision	(30)	524	(39)
Depreciation and amortization	6	5	—
EBITDA	\$ (392)	\$ (217)	\$ (171)
Foreign exchange translation loss (gain)	32	24	(17)
Severance costs	—	—	5
Closure costs, impairment and other related charges	278	89	185
Inventory write-downs related to closures	17	11	12
Start-up costs	4	32	13
Net gain on disposition of assets	(2)	(2)	(35)
Write-down of equity method investment	61	—	—
Net loss on extinguishment of debt	—	59	—
Transaction costs	—	6	8
Other income, net	(10)	(21)	(5)
Adjusted EBITDA	(12)	(19)	(5)

2014 vs. 2013

Cost of sales, excluding depreciation, amortization and distribution costs

COS were \$18 million lower in 2014. The most significant changes were:

- lower start-up costs (\$28 million), primarily due to the restart of the Gatineau mill in June of 2013;
- the recognition of tax, research and development and insurance credits (\$4 million); and
- lower pension and OPEB expenses (\$4 million);

only partially offset by:

- higher asset preservation costs (\$10 million); and
- higher stores inventory write-downs (\$6 million) in connection with the closure of a machine at our Catawba mill and the permanent closure of the Laurentide and Iroquois Falls mills.

Selling, general & administrative expenses

The SG&A allocated to “corporate and other” was \$17 million lower in 2014, primarily because of lower project costs and a group insurance refund.

Closure costs, impairment and other related charges

We recorded closure costs, impairment and other related charges of \$278 million, compared to \$89 million in 2013. The current year included:

- \$97 million of accelerated depreciation, \$11 million for severance and other termination benefits and \$9 million for other closure costs, including environmental remediation obligations, in connection with the permanent closure of the Laurentide mill;
- \$60 million of accelerated depreciation, \$9 million for severance and other termination benefits and \$8 million for other closure costs, including environmental remediation obligations, in connection with the permanent closure of our Iroquois Falls mill;
- accelerated depreciation following our decision in the second quarter to permanently close the idled paper machine in Catawba (\$45 million);
- idling and cleaning costs as well as severance charges at our Fort Frances mill (\$12 million); and
- long-lived asset impairment charges in connection with the sale of most of our recycling assets (\$6 million).

We recorded closure costs, impairment and other related charges of \$89 million in 2013, including:

- accelerated depreciation and severance costs associated with the idling of a newsprint machine at our Calhoun mill (\$50 million);
- extended market-related outage at the remaining paper machine in Fort Frances (\$14 million); and
- the impairment of our U.S. recycling assets (\$11 million).

2013 vs. 2012

Cost of sales, excluding depreciation, amortization and distribution costs

COS rose by \$7 million, to \$44 million, in 2013, which includes start-up costs at our Gatineau mill (\$32 million) and inventory write-downs associated with idlings at Calhoun and Fort Frances (\$11 million). In the same period of 2012, we incurred start-up costs at Dolbeau and Gatineau (\$13 million), idling costs before these mills were later restarted (\$12 million) and inventory write-downs in connection with the idlings at our Mersey, Fort Frances and Laurentide mills (\$12 million).

Depreciation and amortization

Depreciation and amortization increased by \$5 million, mainly because of the amortization of costs associated with the implementation of integrated business management software.

Selling, general and administrative expenses

SG&A was \$18 million higher in 2013 largely because of credits we recorded in 2012, including a refund of certain group benefit premiums paid in prior years (\$11 million).

Closure costs, impairment and other related charges

We recorded closure costs, impairment and other related charges of \$89 million in 2013. See the *2014 vs. 2013* variance analysis above.

We recorded \$185 million of closure costs, impairment and other related charges in 2012, reflecting:

- long-lived asset impairment charges, severance costs, ongoing maintenance costs, and a pension plan curtailment and settlement loss as a result of idling the Mersey newsprint mill (\$95 million);
- severance costs, pension plan curtailment and settlement loss as well as the write-down of assets associated with the idling of a paper and a pulp machine in Fort Frances and other costs (\$45 million);
- accelerated depreciation and severance costs associated with the idling of a machine at our Laurentide mill (\$22 million);
- severance costs and a pension curtailment loss associated with restructuring initiatives at our Baie-Comeau and Catawba mills (\$8 million); and
- a settlement loss for lump sum payments to vested terminated participants in certain U.S. pension plans (\$7 million).

Net gain on disposition of assets

We recognized a net gain on disposition of assets of \$2 million in 2013, compared to \$35 million in 2012, mainly as a result of the sale of timberlands in Nova Scotia in the first quarter of 2012.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

We rely on cash and cash equivalents, net cash provided by operations and our senior secured asset-based revolving credit facility, or “*ABL credit facility*”, to fund our operations, make pension contributions and finance our working capital and capital expenditures. As of December 31, 2014, we had cash and cash equivalents of \$337 million and availability of \$521 million under the ABL credit facility.

In our view, we have sufficient financial resources available to finance our business plan, meet working capital requirements and maintain an appropriate level of capital spending.

ABL Credit Facility

The ABL credit facility, which expires on October 28, 2016, is an asset-based, revolving credit facility with an aggregate lender commitment of up to \$665 million. As amended, it includes a \$60 million swingline sub-facility and a \$200 million letter of credit sub-facility. It also provides for an uncommitted incremental loan facility of up to \$200 million, subject to certain terms and conditions. Revolving loans and letters of credit under the facility are subject to borrowing base availability, which is calculated monthly on the basis of eligible accounts receivable and inventory, minus certain reserves. The facility was undrawn as of December 31, 2014, except for \$37 million of ordinary course letters of credit.

Generally, our obligations under the facility are guaranteed by certain material subsidiaries and they are secured by first priority liens on accounts receivable, inventory and related assets.

Our borrowings under the ABL credit facility bear interest at a rate equal to a specified base rate, the Canadian prime rate or the Eurodollar rate, in each case plus an applicable margin. We pay a commitment fee from 0.375% to 0.50% per year, subject to monthly pricing adjustments, and a fee on outstanding letters of credit at a rate equal to the applicable margin in respect of Eurodollar borrowings, plus a facing fee, as agreed to in writing from time to time, and certain administrative fees.

Loans and unused commitments under the facility are voluntarily repayable, in whole or in part, at any time without premium or penalty. As amended, the facility does not include financial covenants, except for a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of: (i) \$50 million and (ii) 10% of the lesser of (A) the total commitments and (B) the borrowing base then in effect. The requirement, as then in effect, was not triggered at any time in 2014 as excess availability was above these levels.

The ABL credit facility contains customary covenants for asset-based credit agreements of this type, and imposes certain restrictions, subject to a number of exceptions and qualifications, including limits on our ability to:

- incur and repay indebtedness;
- incur liens;
- make certain restricted payments;

- make certain investments;
- merge, consolidate and dispose of assets;
- enter into transactions with affiliates;
- amend, modify or terminate the Canadian pension and benefit plans; and
- modify material indebtedness.

The ABL credit facility also contains customary requirements to deliver financial statements, other reports and notices, as well as events of default, subject to grace periods and notice requirements.

The 2023 Notes

The 2023 notes are unsecured and are guaranteed by substantially all of our U.S. subsidiaries. The 2023 notes bear interest at a rate of 5.875%; they were sold at an offering price of 99.062% of the principal amount and began paying interest on November 15, 2013. Interest is payable semi-annually on May 15 and November 15 of each year.

The 2023 notes were issued pursuant to an indenture dated May 8, 2013, by and among the Company, the guarantors and Wells Fargo Bank, National Association, as trustee. The terms of the 2023 notes indenture impose certain restrictions, subject to a number of exceptions and qualifications, including limits on our ability to:

- incur, assume or guarantee additional indebtedness;
- issue redeemable stock and preferred stock;
- pay dividends or make distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- incur liens;
- issue dividends, make loans or transfer assets from our subsidiaries;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- consolidate or merge with or into, or sell substantially all of our assets to, another person;
- enter into transactions with affiliates; and
- enter into new lines of business.

The 2023 notes will be redeemable, in whole or in part, at any time on or after May 15, 2017, at the redemption prices specified in the 2023 notes indenture, plus accrued and unpaid interest. Before that date, we can redeem some or all of the notes at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and a “make-whole” premium. We can redeem up to 35% of the notes before May 15, 2016, using proceeds from certain equity offerings at a price of 105.875% of the principal amount. We could be required to make an offer to purchase the notes upon the sale of certain assets or upon a change of control.

Flow of Funds

Summary of cash flows

A summary of cash flows for the years ended December 31, 2014, 2013 and 2012 was as follows:

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	\$ 186	\$ 206	\$ 266
Net cash used in investing activities	(161)	(151)	(75)
Net cash (used in) provided by financing activities	(7)	4	(297)
Effect of exchange rate changes on cash and cash equivalents	(3)	—	—
Net increase (decrease) in cash and cash equivalents	\$ 15	\$ 59	\$ (106)

2014 vs. 2013

Cash provided by operating activities

We generated \$186 million of cash from operating activities in 2014, compared to \$206 million in 2013. The change was affected by lower sales volumes, higher costs related to the effect of the abnormally cold winter and higher pension contributions, partially offset by lower start-up costs.

Cash used in investing activities

We invested more cash in fixed assets in 2014, an increase of \$32 million, to \$193 million, which reflects investments in strategic projects such as:

- the construction of a new sawmill in Atikokan and a wood pellet plant in Thunder Bay, as well as the refurbishment of the Ignace sawmill; and
- the upgrade to the Calhoun pulp mill to install a continuous digester and other wood chip processing equipment.

The spending on these projects was partly offset by the proceeds at maturity of notes issued in connection with a sale of U.S. timber assets securitized in 2001.

Cash (used in) provided by financing activities

We used \$7 million in financing activities in 2014, compared to cash provided of \$4 million last year. In 2013, we received proceeds of \$594 million in connection with the issuance of the 2023 notes, which we used to repurchase \$501 million of the then-outstanding 2018 notes and to pay \$84 million as a tender offer premium. We also paid financing and credit facility fees of \$9 million, but received an \$8 million contribution from our former joint venture partner in CNC in connection with our acquisition of their interest.

2013 vs. 2012

Cash provided by operating activities

We generated \$60 million less cash from operating activities in 2013 compared to 2012. The change was unfavorably affected by:

- higher pension contributions and OPEB payments in 2013 (\$32 million);
- lower operating income, excluding the largely non-cash items such as closure costs, impairment and other related charges as well as depreciation and amortization, and the net gain on dispositions of assets (\$27 million); and
- \$13 million less cash generated from working capital.

This was only partially offset by:

- \$14 million less in interest payments; and
- a 2013 distribution from the liquidation of a former U.K. subsidiary (\$12 million).

Cash used in investing activities

We used \$151 million in investing activities in 2013, \$76 million higher than in 2012. Other than the \$8 million decrease in cash invested in fixed assets, the difference is almost entirely due to net favorable items in 2012, including:

- a decrease in restricted cash due to the release of a tax indemnity given in connection with the sale of our interest in Manicouagan Power Company in 2009 (\$76 million); and
- the proceeds from disposition of timberlands in Nova Scotia (\$24 million);

partially offset by:

- the cash portion of the consideration paid for the acquisition of Fibrek (\$24 million, net of cash acquired).

Cash provided by (used in) financing activities

Financing activities provided \$4 million in 2013, compared to a use of \$297 in 2012, for a \$301 million difference.

In 2013, we received proceeds of \$594 million in connection with the issuance of the 2023 notes, which we used to repurchase \$501 million of the outstanding 2018 notes and to pay \$84 million as a tender offer premium. We also paid financing and credit facility fees of \$9 million. We also received an \$8 million payment from our former joint venture partner in CNC in connection with our acquisition of their interest.

In 2012, we paid \$27 million in cash as part of the consideration to acquire shares of the noncontrolling interest in Fibrek, we repaid its debt (\$112 million), we repurchased 5.6 million of our own shares under our share repurchase program (\$67 million) and we redeemed \$85 million of our 2018 notes.

2015 expectations

In 2015, we anticipate that we may use cash on hand to:

- make capital expenditures of approximately \$200 million, including \$130 million for value-creating projects, and the balance for compliance and maintenance of business activities;
- pursue other strategic opportunities, with a particular focus on those that reduce our cost position, improve our product diversification, provide synergies or allow us to expand into future growth markets; and
- subject to market conditions, repurchase up to the remaining \$33 million authorized for share repurchases under our existing \$100 million repurchase program.

Credit Rating Risk

Although the ABL credit facility does not include any provision that would require material changes in payment schedules or terminations as a result of a credit rating downgrade, we believe our access to capital markets at a reasonable cost is determined in large part by credit quality. A credit rating downgrade could impact our ability to access capital markets at a reasonable cost.

	December 31,		
	2014	2013	2012
Standard & Poor's			
Senior secured notes rating	-	-	BB
Long-term corporate credit rating	BB-	BB-	BB-
Outlook	Stable	Stable	Stable
Moody's Investors Service			
Senior secured debt	Ba3	Ba3	Ba3
Corporate family rating	Ba3	Ba3	Ba3
Probability of default	Ba3	Ba3	Ba3
Outlook	Positive	Positive	Stable

Subject to other factors affecting the credit markets as a whole, we believe our current ratings should provide a significant degree of flexibility in obtaining funds on competitive terms. These security ratings reflect the views of the rating agencies only. An explanation of the significance of these ratings can be obtained from each rating agency. The ratings are not a recommendation to buy, sell or hold securities. Any rating can be revised upward or downward or withdrawn at any time by a rating agency.

Employee Benefit Plans

Pension and OPEB plans generally

In 2014, we contributed \$142 million to our defined benefit pension plans and \$22 million to our defined contribution pension plans, expensing \$29 million of this aggregate of \$164 million. We also made payments of \$19 million to OPEB plans, compared to a \$3 million credit to the periodic benefit cost.

For 2015, we expect to make approximately \$129 million of contributions to our defined benefit pension plans and approximately \$22 million to our defined contribution pension plans, and we expect to expense approximately \$91 million in the aggregate. The expected increase in the net periodic benefit cost compared to 2014 is because of the amortization of the actuarial losses, that caused the increase in the net pension and OPEB liability on our balance sheet, mainly as a result of the substantial drop in discount rates. We also expect to make payments of approximately \$16 million to OPEB plans, compared to a \$10 million credit to the periodic benefit cost. These amounts include pension contributions and OPEB payments related to our Canadian plans, which we translated based on the exchange rate in effect on December 31, 2014, and are more fully described below.

We fund our pension and OPEB plans as required by applicable laws and regulations; we could, from time to time, make additional payments.

Canadian pension funding

Basic funding parameters

The funding of our material Canadian registered pension plans, which we refer to as the “*affected plans*,” representing approximately 70% of our unfunded pension obligations as of December 31, 2014, is governed by regulations specific to us, adopted by the provinces of Ontario and Québec. We refer to these regulations, the effect of which will lapse in 2020, as the “*funding relief regulations*.”

As amended, the funding relief regulations provide that our aggregate annual contribution in respect of the solvency deficits in the affected plans for each year until 2020 is limited to a Cdn \$80 million basic contribution and a supplemental contribution, beginning in 2016, if the plans’ aggregate solvency ratio is more than 2% below the target specified in the regulations for the preceding year, subject to certain conditions. The first such supplemental contribution, if any, which essentially prevents payments of benefits from further depleting the plans’ solvency ratio, is capped at Cdn \$25 million. Any amount payable in respect of any subsequent year would be payable over a three year period.

Should prevailing interest rates remain at the low levels applicable as of year-end 2014, we expect that the solvency ratio in the affected plans, the calculation of which is more fully described below, will be more than 2% below the target specified in the regulations for 2015. As a result, based on our expected benefit payments in 2015, we expect that we will be required to make a supplemental contribution up to the capped amount of Cdn \$25 million in 2016, depending on a number of conditions.

Accordingly, the supplemental contributions we could be required to make in 2016 and future years could be material, which could negatively impact our cash flows and materially affect our financial condition.

Should a plan move to surplus before the funding relief regulations expire in 2020, it will cease to be subject to the regulations. After 2020, the funding rules in place at the time will apply to any remaining deficit, if any.

Solvency deficit calculation

The requirement to make supplemental contributions is based in part on the aggregate solvency ratio of the affected plans. This calculation is based on a number of factors and assumptions, including the accrued benefits to be provided by the plans, interest rate levels, membership data and demographic experience. The assumptions used in the calculation are materially different from the assumptions used to arrive at the net pension and OPEB obligations for purposes of our consolidated financial statements. Under Canadian actuarial rules for solvency determinations, the liabilities are calculated on the assumption that the plans are terminated at the measurement date (each December 31 for the affected plans), and the liabilities are discounted primarily using a specified annuity purchase rate, which is that day’s spot interest rate on government securities in Canada plus a prescribed margin. By contrast, for purposes of our consolidated financial statements, the discount rate is determined with a model that develops a hypothetical high-quality bond portfolio, where the bonds are theoretically purchased to settle the expected benefit payments of the plans.

Affected Plans	December 31,			
	2014	2013	2012	2011
Discount rate for accounting purposes	3.9%	4.8%	4.3%	4.9%
Balance sheet funded status	78.7%	84.0%	77.0%	82.0%
Discount rate for solvency purposes	2.6% ⁽¹⁾	3.8%	3.0%	3.3%
Solvency ratio	71.1% ⁽¹⁾	76.8%	67.3%	69.4%

⁽¹⁾ Preliminary, subject to final actuarial report.

As of December 31, 2014, a 1% increase in the discount rate for solvency purposes would decrease the solvency deficit by approximately Cdn \$380 million (\$330 million, based on the exchange rate in effect on December 31, 2014), and vice versa.

Additional undertakings

As originally adopted, the funding relief regulations provided that corrective measures would be required if the aggregate solvency ratio in the affected plans fell below a prescribed level under the targets specified by the regulations as of December 31 in any year through 2014. This requirement was definitively removed with the amendments to the funding relief regulations adopted in 2014. But according to the Ontario regulations, the corresponding 2011 and 2012 amounts in respect of Ontario plans (Cdn \$110 million in the aggregate) have been deferred to after the expiration of the funding relief regulations in 2020 and will then be payable over 5 years in equal monthly installments starting on December 31, 2021, but only up to the elimination of the then remaining deficit, if any.

In connection with the establishment of the original funding relief regulations, our principal Canadian operating subsidiary had undertaken to make an additional solvency deficit reduction contribution of Cdn \$75 to the affected plans, payable over four years, for each metric ton of capacity reduced in Québec or Ontario, in the event of any permanent machine closure or temporary downtime of more than six consecutive months or nine cumulative months over a period of 18 months. This undertaking expires on December 31, 2015, but, by its terms, contemplated the possibility of an extension. As part of the 2014 amendments to the funding relief regulations, it was determined that no additional contribution would be made in respect of any capacity reduction in Québec before April 13, 2013. The application of this undertaking in respect of capacity reductions in Ontario has yet to be settled. As a result of this undertaking to the provinces, starting in 2015 and for each of the next three years, we expect we will be required to make additional contributions of approximately Cdn \$20 million.

Partial wind-ups

On June 12, 2012, we filed a motion for directives with the Québec Superior Court in Canada, the court with jurisdiction in the creditor protection proceedings from which we emerged in 2010, seeking an order to prevent pension regulators in each of Québec, New Brunswick and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former operations in New Brunswick and Newfoundland and Labrador, or a declaration that any claim for accelerated reimbursements of deficits arising from a partial wind-up is a barred claim under the creditor protection proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans, which could reach up to Cdn \$150 million (\$130 million, based on the exchange rate in effect on December 31, 2014), would have to be funded if we do not obtain the relief sought. No hearing date has been set. At this time, we cannot estimate the additional contributions, if any, that may be required in future years, but they could be material.

Share Repurchase Program

On May 22, 2012, the board approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to \$100 million. Through December 31, 2012, we repurchased 5.6 million shares at a cost of \$67 million. We did not repurchase shares since then.

Contractual Obligations

As of December 31, 2014, the Company's contractual obligations, including payments due by period, were as follows:

<i>(in millions)</i>	Total	2015	2016-2017	2018-2019	Thereafter
Long-term debt ⁽¹⁾	\$ 902	\$ 36	\$ 72	\$ 71	\$ 723
Non-cancelable operating lease obligations ⁽²⁾	20	3	6	5	6
Purchase obligations ⁽²⁾	529	155	215	103	56
	\$ 1,451	\$ 194	\$ 293	\$ 179	\$ 785

⁽¹⁾ Long-term debt commitments represent primarily interest payments on the 2023 notes over the periods indicated and payment of the remaining principal balance at maturity, assuming no further redemptions.

⁽²⁾ Information on our operating leases and purchase obligations can be found in Note 19, "Operating Leases and Purchase Obligations," to our Consolidated Financial Statements.

RECENT ACCOUNTING GUIDANCE

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, "Revenue from Contracts from Customers." We are still evaluating the impact of this standard on our results of operations or financial position. See Note 2, "Summary of Significant Accounting Policies – New accounting pronouncements," to our Consolidated Financial Statements for more information.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make accounting estimates based on assumptions, judgments and projections of future results of operations and cash flows. These estimates and assumptions affect the reported amounts of revenues and expenses during the periods presented and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements.

We base our estimates, assumptions and judgments on a number of factors, including historical experience, recent events, existing conditions, internal budgets and forecasts, projections obtained from industry research firms and other data that we believe are reasonable under the circumstances. We believe that our accounting estimates are appropriate and that the resulting financial statement amounts are reasonable. Due to the inherent uncertainties in making estimates, actual results could differ materially from these estimates, requiring adjustments to financial statement amounts in future periods.

A summary of our significant accounting policies is disclosed in Note 2, "Summary of Significant Accounting Policies," to our Consolidated Financial Statements. Based upon a review of our significant accounting policies, we believe the following accounting policies require us to make accounting estimates that can significantly affect the results reported in our consolidated financial statements. We have reported the development, selection and disclosures of our critical accounting estimates to the audit committee of our board of directors, and the audit committee has reviewed the disclosures relating to these estimates.

Pension and OPEB obligations

Description of accounts impacted by the accounting estimate

We record assets and liabilities associated with our pension and OPEB obligations, net of pension plan assets that may be considered material to our financial position. We also record net periodic benefit costs associated with these net obligations as our employees render service. As of December 31, 2014, we have pension and OPEB obligations aggregating \$6,439 million and accumulated pension plan assets at fair value of \$4,808 million. Our 2014 net periodic pension and OPEB costs were \$8 million.

Judgments and uncertainties involved in the accounting estimate

The following inputs are used to determine our net obligations and our net periodic benefit costs each year and the determination of these inputs requires judgment:

- discount rate – used to determine the net present value of our pension and OPEB obligations and to determine the interest cost component of our net periodic pension and OPEB costs;

- return on assets – used to estimate the growth in the value of invested assets that are available to satisfy pension benefit obligations and to determine the expected return on plan assets component of our net periodic pension benefit costs;
- life expectancy rate – used to estimate the impact of life expectancy on pension and OPEB obligations;
- rate of compensation increase – used to calculate the impact future pay increases will have on pension benefit obligations; and
- health care cost trend rate – used to calculate the impact of future health care costs on OPEB obligations.

The discount rate for our domestic and foreign plans was determined with a model that develops a hypothetical high-quality bond portfolio, where the bonds are theoretically purchased to settle the expected benefit payments of the plans. The discount rate reflects the single rate that produces the same discounted values as the value of the theoretical high-quality bond portfolio. In determining the expected return on assets, we considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. In determining the life expectancy rate of our domestic and foreign plans, we used recently-issued actuarially-determined mortality tables and improvement scales. For the foreign plans, the mortality tables were adjusted with the result of our historical mortality experience study. Consistent with our future expectations, the rate used reflects a longer life expectancy for the employees who participate in our pension and OPEB plans. In determining the rate of compensation increase, we reviewed historical salary increases and promotions, while considering current industry conditions, the terms of collective bargaining agreements with our employees and the outlook for our industry. For the health care cost trend rate, we considered historical trends for these costs, as well as recently enacted healthcare legislation.

Effect if actual results differ from assumptions

Variations in assumptions could have a significant effect on the net periodic benefit costs and pension and OPEB obligations reported in our consolidated financial statements. For example, a 25 basis point change in any one of these assumptions would have increased (decreased) our net periodic benefit costs for our pension and OPEB plans and our pension and OPEB obligations as follows:

<i>(In millions)</i>	2014 Net Periodic Benefit Cost		Pension and OPEB Obligations as of December 31, 2014	
	25 Basis Point Increase	25 Basis Point Decrease	25 Basis Point Increase	25 Basis Point Decrease
Assumption:				
Discount rate	\$ 2	\$ 6	\$ (160)	\$ 171
Return on assets	(11)	11	—	—
Rate of compensation increase	1	(1)	8	(8)
Health care cost trend rate	1	—	2	(2)

As of December 31, 2014, the most significant change in our assumptions was a decrease to 4.0% from 4.9% as of December 31, 2013, in the discount rate for our pension benefit obligations, resulting in an increase of our net pension benefit obligation of approximately \$550 million.

The net periodic benefit costs of our pension plans is based on the expected return on plan assets and not the actual return on plan assets, and the net periodic benefit cost of our pension and OPEB plans is based on the expected change in pension and OPEB obligations arising from the time value of money and not the actual change in pension and OPEB obligations. Differences between these expected and actual results were recorded in “accumulated other comprehensive loss” in our consolidated balance sheets as an actuarial gain or loss. Net losses arising in 2014, before tax, and deferred in “accumulated other comprehensive loss” were \$652 million and increased our accumulated net actuarial loss. This loss will be amortized into our consolidated statements of operations in future years and will increase our 2015 net periodic benefit costs by approximately \$78 million.

Deferred income tax assets

Description of accounts impacted by the accounting estimates

We have significant net deferred income tax assets of \$1,286 million recorded in our Consolidated Balance Sheet as of December 31, 2014, all related to our Canadian operations, considering the full valuation allowance recorded against our U.S. net deferred income tax assets. Our deferred income taxes are comprised primarily of:

United States:

- Deferred income tax assets of \$907 million, comprised of \$696 million for Federal and state operating loss carryforwards expiring between 2015 and 2034, and \$211 million for other temporary differences, mostly related to pension and OPEB plans.
- Deferred income tax liabilities of \$193 million, mostly related to accelerated depreciation on fixed assets.
- A valuation allowance of \$714 million against the net deferred income tax assets, which are not more likely than not to be realized in the future.

Canada:

- Deferred income tax assets of \$1,308 million, comprised of \$204 million related to a pool of scientific research and experimental development costs with no expiry, \$48 million for Federal and provincial operating loss carryforwards expiring between 2023 and 2032, \$106 million for tax credit carryforwards expiring between 2022 and 2034, as well as \$950 million for other temporary differences, mostly related to fixed asset undepreciated capital costs with no expiry and pension and OPEB plans.
- Deferred income tax liabilities of \$11 million for various temporary differences.
- A valuation allowance of \$11 million related to items of a capital nature.

Other:

- Deferred income tax assets of \$30 million, mostly comprised of other foreign subsidiaries operating loss carryforwards expiring between 2019 and 2024.
- A valuation allowance of \$30 million against the net deferred income tax assets of other foreign subsidiaries, which are not more likely than not to be realized in the future.

Judgments and uncertainties involved in the accounting estimates

At each reporting period, we assess whether it is more likely than not that the deferred income tax assets will be realized, based on the review of all available positive and negative evidence, including future reversals of existing taxable temporary differences, estimates of future taxable income, past operating results and prudent and feasible tax planning strategies. The carrying value of our deferred income tax assets reflects our expected ability to generate sufficient future taxable income in certain tax jurisdictions to utilize these deferred income tax benefits.

In 2013, following the assessment of our ability to realize the deferred income tax assets of our U.S. operations, we concluded that existing negative evidence outweighed positive evidence and that a full valuation allowance against our net deferred income tax assets was required. The recent cumulative loss of our U.S. operations limited our ability to consider other subjective positive evidence, such as projections of future earnings. As a result, for the year ended December 31, 2013, we recorded a charge in order to establish a full valuation allowance against our net U.S. deferred income tax assets. For the year ended December 31, 2014, negative evidence still outweighed positive evidence and we maintained a full valuation allowance against our net U.S. deferred income tax assets. A valuation allowance does not reduce our underlying tax attributes, nor hinders our ability to use them in the future. If, in the future, sufficient objective positive evidence becomes available such that, based on the weight of available evidence, it is determined to be more likely than not that some or all of the deferred income tax assets associated with our U.S. operations can be realized, the valuation allowance will be reduced as appropriate, with the related adjustment being recognized as a decrease to the income tax provision.

The weight of positive evidence, which included a review of historical cumulative earnings and our expected future performance, resulted in the conclusion by management that valuation allowances were not required for our deferred income tax assets in Canada, as they were determined to be more likely than not to be realized. During 2014, Fibrek Holding Inc., a Canadian wholly-owned subsidiary, emerged from a three-year cumulative loss position, primarily due to improved profitability over the preceding two years. Considering its recent earnings history and positive outlook, we determined that a

valuation allowance on the net deferred income tax assets was no longer required for the year ended December 31, 2014, and a tax benefit was recorded as a result of the reversal of the valuation allowance.

The Company calculates its income tax provision for the period based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in the subsequent years. Adjustments based on actual filed income tax returns are recorded when identified.

Tax benefits related to uncertain tax positions are recorded when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by the relevant tax authority. The amount of tax benefit recognized may differ from the amount taken or expected to be taken on a tax return. These differences represent unrecognized tax benefits and are reviewed at each reporting period based on facts, circumstances and other available evidence. We have unrecognized tax benefits of \$109 million as of December 31, 2014. As income tax legislation and regulations are complex and subject to interpretation, our tax positions could be challenged by taxing authorities.

Effect if actual results differ from assumptions

Our expected future performance represents important positive evidence in determining the recoverability of our deferred income tax assets. Although significant closure related costs were recorded in 2014 in our main operating subsidiary in Canada, in connection with our asset optimization initiatives, it remained in a three-year cumulative income position at the end of 2014. If actual future financial results are not consistent with the assumptions and judgments used, or if additional significant closure related costs are recorded in future years, we may be required to reduce the value of our net deferred income tax assets by recording additional valuation allowances, resulting in an income tax expense that could be material.

We do not expect a significant change to the amount of unrecognized tax benefits over the next twelve months. However, any adjustments arising from certain ongoing examinations by taxing authorities could alter the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions, and these adjustments could differ from the amount accrued.

Long-lived assets

Description of accounts impacted by the accounting estimate

We have long-lived assets recorded in our Consolidated Balance Sheet of \$2,047 million as of December 31, 2014. These long-lived assets include fixed assets, net and amortizable intangible assets, net. In 2014, we recorded depreciation and amortization of \$243 million and impairment and accelerated depreciation charges aggregating \$222 million associated with these long-lived assets. The depreciation and amortization, impairment and accelerated depreciation charges are based on accounting estimates.

The unit of accounting for impairment testing for long-lived assets is its asset group (see Note 2, “Summary of Significant Accounting Policies – Impairment of long-lived assets,” to our Consolidated Financial Statements). The unit of accounting for the depreciation and amortization of long-lived assets is at a lower level, either as a group of closely-related assets or at an individual asset level. The cost of a long-lived asset is amortized over its estimated remaining useful life, which is subject to change based on events and circumstances or management’s intention for the use of the asset.

Losses related to the impairment of long-lived assets to be held and used are recognized when circumstances indicate the carrying value of an asset group may not be recoverable, such as continuing losses in certain businesses. When indicators that the carrying value of an asset group may not be recoverable are triggered, we evaluate the carrying value of the asset group in relation to its expected undiscounted future cash flows. If the carrying value of an asset group is greater than the expected undiscounted future cash flows to be generated by the asset group, an impairment charge is recognized based on the excess of the asset group’s carrying value over its fair value. If it is determined that the carrying value of an asset group is recoverable, we review and adjust, as necessary, the estimated useful lives of the assets in the group.

When an asset group meets the criteria for classification as an asset held for sale, an impairment charge is recognized, if necessary, based on the excess of the asset group’s carrying value over the expected net proceeds from the sale (the estimated fair value minus the estimated costs to sell the asset group).

Our long-lived asset impairment and accelerated depreciation charges are disclosed in Note 5, “Closure Costs, Impairment and Other Related Charges,” to our Consolidated Financial Statements.

Judgments and uncertainties involved in the accounting estimate

The calculation of depreciation and amortization of long-lived assets requires us to apply judgment in selecting the remaining useful lives of the assets. The remaining useful life of an asset must address both physical and economic considerations. The

remaining economic life of a long-lived asset is frequently shorter than its physical life. The pulp and paper industry in recent years has been characterized by considerable uncertainty in business conditions. Estimates of future economic conditions for our long-lived assets and therefore, their remaining useful economic life, require considerable judgment.

Asset impairment for long-lived assets to be held and used is tested at the lowest asset group level having largely independent cash flows. Determining the asset groups for long-lived assets to be held and used requires management's judgment.

Asset impairment loss calculations require us to apply judgment in estimating asset group fair values and future cash flows, including periods of operation, projections of product pricing, first quality production levels, product costs, market supply and demand, foreign exchange rates, inflation, projected capital spending and, specifically for fixed assets acquired, assigned useful lives, functional obsolescence, asset condition and discount rates. When performing impairment tests, we estimate the fair values of the assets using management's best assumptions, which we believe would be consistent with the assumptions that a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated as appropriate. One key assumption, especially for our long-lived assets in Canada, is the foreign exchange rate. Foreign exchange rates were determined based on our budgeted exchange rates for 2015. The assessment of whether an asset group should be classified as held for sale requires us to apply judgment in estimating the probable timing of the sale, and in testing for impairment loss, judgment is required in estimating the net proceeds from the sale.

Effect if actual results differ from assumptions

If our estimate of the remaining useful life changes, such a change is accounted for prospectively in our determination of depreciation and amortization. Actual depreciation and amortization charges for an individual asset may therefore be significantly accelerated if the outlook for its remaining useful life is shortened considerably.

A number of judgments were made in the determination of our asset groups. If a different conclusion had been reached for any one of those judgments, it could have resulted in the identification of asset groups different from those we actually identified. This may have resulted in a different conclusion when comparing the expected undiscounted future cash flows or the fair value to the carrying value of the asset group.

Actual asset impairment losses could vary considerably from estimated impairment losses if actual results are not consistent with the assumptions and judgments used in estimating future cash flows and asset fair values.

Assets of facilities that are presently idled have a greater risk of acceleration in depreciation and amortization or additional impairment. Information on certain of our idled assets can be found in Note 5, "Closure Costs, Impairment and Other Related Charges," to our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to risks associated with fluctuations in foreign currency exchange rates, commodity prices, prices for the products we manufacture and credit risk on accounts receivable from our customers.

Foreign Currency Exchange Risk

We compete with producers from around the world, particularly North America, Europe and South America, in most of our product lines with the exception of wood products, where we compete with other North American producers. We sell our products mainly in transactions denominated in U.S. dollars, but we also sell in certain local currencies, including the euro, the pound sterling and the Canadian dollar. In addition to the impact on product supply and demand, changes in the relative strength or weakness of these currencies, particularly the U.S. dollar, could also affect international trade flows in these products. A stronger U.S. dollar might attract imports, thereby increasing product supply and possibly creating downward pressure on prices. On the other hand, a weaker U.S. dollar might encourage U.S. exports but also increase manufacturing costs in Canadian dollars, or other foreign currencies.

Variations in exchange rates could also significantly affect our competitive position. In 2014, for example, the strength of the U.S. dollar against certain European currencies and the rapidly devaluating Russian ruble negatively affected the competitive position of North American newsprint producers selling in certain U.S. dollar-denominated international newsprint markets, like Asia. Some of our European and Russian competitors were able to price business more aggressively in those markets as a result of the relative weakness of their local currency, which negatively affected our ability to compete, forcing us to take steps to limit our exposure to these markets.

We are particularly sensitive to changes in the value of the Canadian dollar versus the U.S. dollar. The actual impact of these changes depends primarily on the proportion of our production and sales that occur in Canada, the proportion of our financial

assets and liabilities denominated in Canadian dollars, and the magnitude, direction and duration of changes in the exchange rate. We expect exchange rate fluctuations to continue to impact costs and revenues, but we cannot predict the magnitude or direction of this effect for any period, and there can be no assurance of any future effects. In 2013 and 2014, the Canadian dollar fluctuated between a low of US\$0.86 in December of 2014 and a high of US\$1.02 in January of 2013. Based on operating projections for 2015, if the Canadian dollar strengthens by one cent against the U.S. dollar, we expect that it will decrease our annual operating income by approximately \$12 million, and *vice versa*.

Furthermore, certain other assets and liabilities, including a substantial portion of our net pension and OPEB obligations and our deferred income tax assets, are denominated in Canadian dollars. As a result, our earnings can be subject to the potentially significant effect of foreign currency translation gains or losses in respect of these Canadian dollar net monetary assets. In this case, a strengthening of the Canadian dollar against the U.S. dollar in any given period would generally cause a foreign currency translation gain, and a weakening of the Canadian dollar would generally lead to a foreign currency translation loss.

Product Price Risk

Historically, economic and market shifts, fluctuations in capacity, and changes in foreign currency exchange rates have created cyclical changes in prices, sales volume and margins for our products. Most of our paper, market pulp and wood products are commodities that are widely available from other producers; because these products have few distinguishing qualities from producer to producer, competition is based primarily on price, which is determined by supply relative to demand. The overall levels of demand for the products we manufacture, consequently our sales and profitability, reflect fluctuations in end-user demand, which depend in part on general economic conditions in North America and worldwide. The demand for some of our products has weakened significantly over the last several years; for example, according to industry statistics, North American newsprint demand fell by 6% in 2010, 7% in 2011, 1% in 2012, 10% in 2013 and 9% in 2014. This trend, which similarly affects our specialty papers, could continue as a result of developments in alternative media, lower North American newspaper circulation, weaker advertising, grade substitution and conservation measures taken by publishers and retailers. Without change in capacity, the lower demand in relation to supply can cause downward pressure on price.

In the table below, we show the impact of a \$25 change to the average transaction price per unit of our products, based on our operating configuration as of December 31, 2014. This presentation measures only the impact of pricing and items directly related to price, and assumes that every other factor is held constant.

PRODUCT	Unit	Projected change in annualized EBITDA (\$ millions) based on \$25 change in price per unit
Newsprint	\$ / metric ton	57
Specialty papers	\$ / short ton	42
Market pulp	\$ / metric ton	40
Wood products	\$ / thousand board feet	40

Commodity Price Risk

We purchase significant amounts of energy, chemicals, wood fiber and recovered paper to supply our manufacturing facilities. These raw materials are market-priced commodities and as such, are subject to fluctuations in market prices. Increases in the prices of these commodities will tend to reduce our reported earnings and decreases will tend to increase our reported earnings. From time to time, we may enter into contracts aimed at securing a stable source of supply for commodities such as timber, wood fiber, energy, chemicals and recovered paper. These contracts typically require us to pay the market price at the time of purchase. Thus, under these contracts, we generally remain subject to market fluctuations in commodity prices.

Credit Risk

We are exposed to credit risk on the accounts receivable from our customers. In order to manage our credit risk, we have adopted policies, which include the analysis of the financial position of our customers and the regular review of their credit limits. We also subscribe to credit insurance and, in some cases, require bank letters of credit. Our customers are mainly in the business of newspaper publishing, advertising, printing, paper converting, consumer products as well as lumber wholesale and retail.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	Years Ended December 31,		
	2014	2013	2012
Sales	\$ 4,258	\$ 4,461	\$ 4,503
Costs and expenses:			
Cost of sales, excluding depreciation, amortization and distribution costs	3,240	3,446	3,485
Depreciation and amortization	243	243	233
Distribution costs	518	521	514
Selling, general and administrative expenses	155	166	149
Closure costs, impairment and other related charges	278	89	185
Net gain on disposition of assets	(2)	(2)	(35)
Operating loss	(174)	(2)	(28)
Interest expense	(47)	(51)	(66)
Other (expense) income, net	(83)	(62)	22
Loss before income taxes	(304)	(115)	(72)
Income tax benefit (provision)	30	(524)	39
Net loss including noncontrolling interests	(274)	(639)	(33)
Net (income) loss attributable to noncontrolling interests	(3)	—	34
Net (loss) income attributable to Resolute Forest Products Inc.	\$ (277)	\$ (639)	\$ 1
Net (loss) income per share attributable to Resolute Forest Products Inc. common shareholders:			
Basic	\$ (2.93)	\$ (6.75)	\$ 0.01
Diluted	\$ (2.93)	\$ (6.75)	\$ 0.01
Weighted-average number of Resolute Forest Products Inc. common shares outstanding:			
Basic	94.6	94.7	97.4
Diluted	94.6	94.7	97.5

See accompanying notes to consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)

	Years Ended December 31,		
	2014	2013	2012
Net loss including noncontrolling interests	\$ (274)	\$ (639)	\$ (33)
Other comprehensive income (loss) :			
Change in unamortized prior service credits, net of tax of \$1, \$0 and \$7 in 2014, 2013 and 2012, respectively	76	(3)	23
Change in unamortized actuarial losses, net of tax of \$116, \$121 and \$135 in 2014, 2013 and 2012, respectively	(522)	350	(351)
Foreign currency translation	(1)	(4)	1
Other comprehensive (loss) income, net of tax	(447)	343	(327)
Comprehensive loss including noncontrolling interests	(721)	(296)	(360)
Less: Comprehensive (income) loss attributable to noncontrolling interests:			
Net (income) loss	(3)	—	34
Change in unamortized actuarial losses, net of tax of \$0 in 2012	—	—	6
Foreign currency translation	—	—	2
Comprehensive (income) loss attributable to noncontrolling interests	(3)	—	42
Comprehensive loss attributable to Resolute Forest Products Inc.	\$ (724)	\$ (296)	\$ (318)

See accompanying notes to consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except per share amount)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 337	\$ 322
Accounts receivable, net:		
Trade	449	536
Other	90	98
Inventories, net	542	529
Deferred income tax assets	70	32
Other current assets	46	45
Total current assets	1,534	1,562
Fixed assets, net	1,985	2,289
Amortizable intangible assets, net	62	66
Deferred income tax assets	1,219	1,266
Other assets	121	202
Total assets	\$ 4,921	\$ 5,385
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 518	\$ 533
Current portion of long-term debt	1	2
Deferred income tax liabilities	—	32
Total current liabilities	519	567
Long-term debt, net of current portion	596	597
Pension and other postretirement benefit obligations	1,616	1,294
Deferred income tax liabilities	3	26
Other long-term liabilities	70	62
Total liabilities	2,804	2,546
Commitments and contingencies		
Equity:		
Resolute Forest Products Inc. shareholders' equity:		
Common stock, \$0.001 par value. 117.3 shares issued and 94.8 shares outstanding as of December 31, 2014; 117.0 shares issued and 94.5 shares outstanding as of December 31, 2013	—	—
Additional paid-in capital	3,754	3,751
Deficit	(869)	(592)
Accumulated other comprehensive loss	(718)	(271)
Treasury stock at cost, 22.5 shares as of December 31, 2014 and December 31, 2013	(61)	(61)
Total Resolute Forest Products Inc. shareholders' equity	2,106	2,827
Noncontrolling interests	11	12
Total equity	2,117	2,839
Total liabilities and equity	\$ 4,921	\$ 5,385

See accompanying notes to consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In millions)

	Resolute Forest Products Inc. Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Non- controlling Interests	Total Equity
Balance as of December 31, 2011	\$ —	\$ 3,687	\$ 47	\$ (311)	\$ —	\$ 60	\$ 3,483
Share-based compensation costs for equity-classified awards	—	5	—	—	—	—	5
Net income (loss)	—	—	1	—	—	(34)	(33)
Acquisition of Fibrek Inc. (2.8 newly-issued shares and 0.5 shares of treasury stock) (Note 3)	—	38	(1)	—	6	—	43
Disposition of investment in Bowater Mersey Paper Company Limited (our "Mersey operations") (Note 6)	—	—	—	16	—	9	25
Purchases of treasury stock (5.6 shares) (Note 17)	—	—	—	—	(67)	—	(67)
Distribution of common stock from the share reserve to Augusta Newsprint Company and Fibrek Inc., wholly-owned subsidiaries (0.1 shares in treasury)	—	—	—	—	—	—	—
Stock incentive awards vested (0.1 shares), net of shares forfeited for employee withholding taxes	—	—	—	—	—	—	—
Dividends paid to noncontrolling interests	—	—	—	—	—	(5)	(5)
Contribution of capital to noncontrolling interest	—	—	—	—	—	1	1
Other comprehensive loss, net of tax	—	—	—	(319)	—	(8)	(327)
Balance as of December 31, 2012	—	3,730	47	(614)	(61)	23	3,125
Share-based compensation costs for equity-classified awards	—	7	—	—	—	—	7
Net loss	—	—	(639)	—	—	—	(639)
Contribution of capital from noncontrolling interest (net of tax of \$3)	—	—	—	—	—	5	5
Acquisition of noncontrolling interest (Note 7)	—	14	—	—	—	(14)	—
Transfer of common stock from the share reserve to the Company (0.3 shares in treasury) (Note 17)	—	—	—	—	—	—	—
Dividend paid to noncontrolling interest	—	—	—	—	—	(2)	(2)
Other comprehensive income, net of tax	—	—	—	343	—	—	343
Balance as of December 31, 2013	—	3,751	(592)	(271)	(61)	12	2,839
Share-based compensation costs for equity-classified awards	—	3	—	—	—	—	3
Net (loss) income	—	—	(277)	—	—	3	(274)
Stock incentive awards exercised or vested (0.3 shares), net of shares forfeited for employee withholding taxes	—	—	—	—	—	—	—
Dividend paid to noncontrolling interest	—	—	—	—	—	(4)	(4)
Other comprehensive loss, net of tax	—	—	—	(447)	—	—	(447)
Balance as of December 31, 2014	\$ —	\$ 3,754	\$ (869)	\$ (718)	\$ (61)	\$ 11	\$ 2,117

See accompanying notes to consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net loss including noncontrolling interests	\$ (274)	\$ (639)	\$ (33)
Adjustments to reconcile net loss including noncontrolling interests to net cash provided by operating activities:			
Share-based compensation	6	7	5
Depreciation and amortization	243	243	233
Closure costs, impairment and other related charges	263	80	166
Inventory write-downs related to closures	17	11	12
Deferred income taxes	(36)	523	(36)
Net pension contributions and other postretirement benefit payments	(157)	(117)	(95)
Net gain on disposition of assets	(2)	(2)	(35)
Loss (gain) on translation of foreign currency denominated deferred income taxes	107	93	(37)
(Gain) loss on translation of foreign currency denominated pension and other postretirement benefit obligations	(82)	(88)	30
Gain on forgiveness of note payable	—	(12)	—
Net loss on extinguishment of debt	—	59	—
Write-down of equity method investment	61	—	—
Premium related to debt redemption	—	—	(5)
Dividends received from equity method investees in excess of income	3	6	2
Leasehold improvement incentive received from lessor	—	—	5
Changes in working capital:			
Accounts receivable	106	62	91
Inventories	(31)	16	(21)
Other current assets	(3)	10	5
Accounts payable and accrued liabilities	(44)	(37)	(11)
Other, net	9	(9)	(10)
Net cash provided by operating activities	186	206	266
Cash flows from investing activities:			
Cash invested in fixed assets	(193)	(161)	(169)
Monetization of timber notes	22	—	—
Disposition of our interest in our Mersey operations, net of cash	—	—	14
Disposition of other assets	10	4	36
Acquisition of Fibrek Inc., net of cash acquired	—	—	(24)
Proceeds from insurance settlements	—	4	—
Decrease in restricted cash	1	8	76
Decrease (increase) in deposit requirements for letters of credit, net	1	(2)	(12)
Other investing activities, net	(2)	(4)	4
Net cash used in investing activities	(161)	(151)	(75)

	Years Ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Issuance of long-term debt	—	594	—
Premium paid on extinguishment of debt	—	(84)	—
Payments of debt	(2)	(503)	(198)
Payments of financing and credit facility fees	(1)	(9)	—
Purchases of treasury stock	—	—	(67)
Dividends to noncontrolling interests	(4)	(2)	(5)
Acquisition of noncontrolling interest	—	—	(27)
Contribution of capital from noncontrolling interest	—	8	—
Net cash (used in) provided by financing activities	(7)	4	(297)
Effect of exchange rate changes on cash and cash equivalents	(3)	—	—
Net increase (decrease) in cash and cash equivalents	15	59	(106)
Cash and cash equivalents:			
Beginning of year	322	263	369
End of year	\$ 337	\$ 322	\$ 263
Supplemental disclosures of cash flow information:			
Cash paid (received) during the year for:			
Interest, including capitalized interest of \$3, \$2 and \$2 in 2014, 2013 and 2012, respectively	\$ 42	\$ 54	\$ 68
Income taxes, net	\$ (1)	\$ 2	\$ —

See accompanying notes to consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

Note 1. Organization and Basis of Presentation

Nature of operations

Resolute Forest Products Inc. (with its subsidiaries and affiliates, either individually or collectively, unless otherwise indicated, referred to as “Resolute Forest Products,” “we,” “our,” “us,” “Parent” or the “Company”) is incorporated in Delaware. We are a global leader in the forest products industry, with a diverse range of products, including newsprint, specialty papers, market pulp and wood products, which are marketed in close to 80 countries. We own or operate some 40 pulp and paper mills and wood products facilities in the United States, Canada and South Korea, and power generation assets in Canada.

AbitibiBowater Inc. (our predecessor entity) and all but one of its debtor affiliates successfully emerged from creditor protection proceedings under Chapter 11 of the United States Bankruptcy Code, as amended (“Chapter 11”) and the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”), as applicable (collectively, the “Creditor Protection Proceedings”) on December 9, 2010. The wholly-owned subsidiary operating the Mokpo, South Korea operations and almost all of the less than wholly-owned subsidiaries operated outside of the Creditor Protection Proceedings. We refer to AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries as the “Debtors.” We refer to the Chapter 11 Debtors’ Second Amended Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code and the CCAA Debtors’ CCAA Plan of Reorganization and Compromise, in each case as amended and including all exhibits and supplements thereto, together as the “Plans of Reorganization,” each as a “Plan of Reorganization” and individually as the “Chapter 11 Reorganization Plan” and the “CCAA Reorganization Plan,” respectively. Pursuant to the Plans of Reorganization, all disputed claims have been definitively resolved. The Debtors’ Chapter 11 cases are closed; the CCAA proceedings have yet to be closed as the monitor is continuing to assist in certain post-emergence court proceedings.

Financial statements

We have prepared our consolidated financial statements in accordance with United States generally accepted accounting principles (“U.S. GAAP”). All amounts are expressed in U.S. dollars, unless otherwise indicated.

Consolidation

Our consolidated financial statements include the accounts of Resolute Forest Products Inc. and its controlled subsidiaries. All transactions and balances between these companies have been eliminated. All consolidated subsidiaries are wholly-owned as of December 31, 2014 with the exception of the following:

Consolidated Subsidiary	Resolute Forest Products Ownership	Partner	Partner Ownership
Forest Products Mauricie L.P.	93.2%	Cooperative Forestière du Haut Saint-Maurice	6.8%
Donohue Malbaie Inc.	51%	NYT Capital Inc.	49%

Equity method investments

We account for our investments in affiliated companies where we have significant influence, but not control over their operations, using the equity method of accounting.

Note 2. Summary of Significant Accounting Policies

Use of estimates

In preparing our consolidated financial statements in accordance with U.S. GAAP, management is required to make accounting estimates based on assumptions, judgments and projections of future results of operations and cash flows. These estimates and assumptions affect the reported amounts of revenues and expenses during the periods presented and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. The most critical estimates relate to the assumptions underlying the benefit obligations of our pension and other postretirement benefit (“OPEB”) plans, the recoverability of deferred income tax assets and the carrying values of our long-lived assets. Estimates, assumptions and judgments are based on a number of factors, including historical experience, recent events, existing conditions, internal budgets and forecasts, projections obtained from industry research firms and other data that management believes are reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions.

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

Cash and cash equivalents

Cash and cash equivalents generally consist of direct obligations of the U.S. and Canadian governments and their agencies, demand deposits and other short-term, highly liquid securities with a maturity of three months or less from the date of purchase.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts that is based on expected collectibility, and such carrying value approximates fair value.

Inventories

Inventories are stated at the lower of cost or market value using the average cost method. Cost includes labor, materials and production overhead, which is based on the normal capacity of our production facilities. Unallocated overhead, including production overhead associated with abnormal production levels, is recognized in “Cost of sales, excluding depreciation, amortization and distribution costs” in our Consolidated Statements of Operations when incurred.

Fixed assets

Fixed assets acquired, including internal-use software, are stated at acquisition cost less accumulated depreciation and impairment. The cost of the fixed assets is reduced by any investment tax credits or government capital grants earned. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. We capitalize interest on borrowings during the construction period of major capital projects as part of the related asset and amortize the capitalized interest into earnings over the related asset’s remaining useful life. Planned major maintenance costs are recorded using the deferral method, whereby the costs of each planned major maintenance activity are capitalized to “Other current assets” in our Consolidated Balance Sheets and amortized to “Cost of sales, excluding depreciation, amortization and distribution costs” in our Consolidated Statements of Operations on a straight-line basis over the estimated period until the next planned major maintenance activity. All other routine repair and maintenance costs are expensed as incurred.

Environmental costs

We expense environmental costs related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. These costs are included in “Cost of sales, excluding depreciation, amortization and distribution costs” or “Other (expense) income, net” in our Consolidated Statements of Operations. Expenditures that extend the life of the related property are capitalized. We determine our liability on a site-by-site basis and record a liability at the time it is probable and can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.

Amortizable intangible assets

Amortizable intangible assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets.

Impairment of long-lived assets

The unit of accounting for impairment testing for long-lived assets is its group, which includes fixed assets, net, amortizable intangible assets, net, and liabilities directly related to those assets (herein defined as “asset group”). For asset groups that are held and used, that group represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other asset groups. For asset groups that are to be disposed of by sale or otherwise, that group represents assets to be disposed of together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset group may no longer be recoverable. The recoverability of an asset group that is held and used is tested by comparing the carrying value of the asset group to the sum of the estimated undiscounted future cash flows expected to be generated by that asset group. In estimating the undiscounted future cash flows, we use projections of cash flows directly associated with, and which are expected to arise as a direct result of, the use and eventual disposition of the asset group. If there are multiple plausible scenarios for the use and eventual disposition of an asset group, we assess the likelihood of each scenario occurring in order to determine a probability-weighted estimate of the undiscounted future cash flows. The principal assumptions include periods of operation, projections of product pricing, production levels and sales volumes, product costs, market supply and

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

demand, foreign exchange rates, inflation and projected capital spending. Changes in any of these assumptions could have a material effect on the estimated undiscounted future cash flows expected to be generated by the asset group. If it is determined that an asset group is not recoverable, an impairment loss is recognized in the amount that the asset group's carrying value exceeds its fair value. The fair value of a long-lived asset group is determined in accordance with our accounting policy for fair value measurements, as discussed below. If it is determined that the carrying value of an asset group is recoverable, we review and adjust, as necessary, the estimated useful lives of the assets in the group.

When an asset group meets the criteria for classification as an asset held for sale, an impairment charge is recognized, if necessary, based on the excess of the asset group's carrying value over the expected net proceeds from the sale (the estimated fair value minus the estimated costs to sell).

Asset groups to be disposed of other than by sale are classified as held and used until the asset group is disposed or use of the asset group has ceased.

Income taxes

We use the asset and liability approach in accounting for income taxes. Under this approach, deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This approach also requires the recording of deferred tax assets related to operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates applicable when temporary differences and carryforwards are expected to be recovered or settled. We have not provided for U.S. income taxes on the undistributed earnings, if any, of our foreign subsidiaries, as we have specific plans for the reinvestment of such earnings.

Valuation allowances are recognized to reduce deferred income tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, estimates of future taxable income, past operating results, and prudent and feasible tax planning strategies.

Tax benefits related to uncertain tax positions are recorded when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the relevant taxing authorities. The amount of tax benefit recognized may differ from the amount taken or expected to be taken on a tax return. These differences represent unrecognized tax benefits and are reviewed at each reporting period based on facts, circumstances and available evidence. We recognize interest and penalties accrued related to unrecognized tax benefits as a component of the income tax expense.

Pension and OPEB obligations

For our defined benefit plans, we recognize an asset or a liability for pension and OPEB obligations net of the fair value of plan assets. An asset is recognized for a plan's over-funded status and a liability is recognized for a plan's under-funded status. Changes in the funding status that have not been recognized in our net periodic benefit costs are reflected as an adjustment to our "Accumulated other comprehensive loss" in our Consolidated Balance Sheets. Net periodic benefit costs are recognized as employees render the services necessary to earn the pension and OPEB. Amounts we contribute to our defined contribution plans are expensed as incurred.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, and is based on any principal market for the specific asset or liability. We consider the risk of non-performance of the obligor, which in some cases reflects our own credit risk, in determining fair value. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures," we categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. This fair value hierarchy is as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets and liabilities.
- Level 2 - Valuations based on observable inputs, other than Level 1 prices, such as quoted interest or currency exchange rates.
- Level 3 - Valuations based on significant unobservable inputs that are supported by little or no market activity, such as discounted cash flow methodologies based on internal cash flow forecasts.

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used in the determination of fair value of our assets and liabilities, when required, maximize the use of observable inputs and minimize the use of unobservable inputs.

Share-based compensation

We amortize the fair value of our equity-based awards over the requisite service period using the straight-line attribution approach. The requisite service period is reduced for those employees who are retirement eligible at the date of the grant or who will become retirement eligible during the vesting period and who will be entitled to continue vesting in their entire award upon retirement. The fair value of stock options is determined using a Black-Scholes option pricing formula, and the fair value of restricted stock units ("RSUs"), deferred stock units ("DSUs") and performance stock units ("PSUs") is determined based on the market price of a share of our common stock on the grant date. We estimate forfeitures of stock incentive awards based on historical experience and recognize compensation cost only for those awards expected to vest. Estimated forfeitures are updated to reflect new information or actual experience, as it becomes available.

Any excess tax benefits related to share-based compensation gets recorded in the additional paid-in capital ("APIC") pool and is available to absorb future tax related deficiencies. If the amount of future tax deficiencies is greater than the available APIC pool, we would record the excess as income tax expense in our Consolidated Statements of Operations. For each of the years ended December 31, 2014, 2013 and 2012 the balance of the APIC pool was zero.

Any cash flows resulting from the tax benefit that arise from the exercise of stock options and the vesting of RSUs, DSUs and PSUs that exceed the compensation cost recognized (excess tax benefits) are classified as financing cash flows.

Revenue recognition

Pulp, paper and wood products are delivered to our customers in the United States and Canada directly from our mills by either truck or rail. Pulp and paper products delivered to our international customers by ship are sold with international shipping terms. Revenue is recorded when risk of loss and title of the product passes to the customer. For sales with the terms free on board ("FOB") shipping point, revenue is recorded when the product leaves the mill, whereas for sales transactions FOB destination, revenue is recorded when the product is delivered to the customer's delivery site, when the title and risk of loss are transferred. Sales are reported net of allowances and rebates, and the following criteria must be met before they are recognized: persuasive evidence of an arrangement exists, delivery has occurred and we have no remaining obligations, prices are fixed or determinable and collectibility is reasonably assured. Sales of our other products (green power produced from renewable sources, wood chips and other wood related products) are recognized when the products are delivered and are included in "Cost of sales, excluding depreciation, amortization and distribution costs" in our Consolidated Statements of Operations.

Net (loss) income per share

We calculate basic net (loss) income per share attributable to Resolute Forest Products Inc. common shareholders by dividing our net (loss) income by the weighted-average number of outstanding common shares. We calculate diluted net income per share attributable to Resolute Forest Products Inc. common shareholders by dividing our net income by the weighted-average number of outstanding common shares, as adjusted for the incremental shares attributable to the dilutive effects of potentially dilutive securities (such as stock options, RSUs, DSUs and PSUs). The incremental shares are calculated using the treasury stock method (stock options, RSUs, DSUs and PSUs). To calculate diluted net loss per share attributable to Resolute Forest Products Inc. common shareholders, no adjustments to our basic weighted-average number of outstanding common shares are made, since the impact of potentially dilutive securities (such as stock options, RSUs, DSUs and PSUs) would be antidilutive.

Translation

The functional currency of the majority of our operations is the U.S. dollar. However, some of these operations maintain their books and records in their local currency in accordance with certain statutory requirements. Non-monetary assets and liabilities of these operations and the related income and expense items such as depreciation and amortization are remeasured into U.S. dollars using historical exchange rates. Remaining assets and liabilities are remeasured into U.S. dollars using the exchange rates as of the balance sheet date. Remaining income and expense items are remeasured into U.S. dollars using an average exchange rate for the period. Gains and losses from foreign currency transactions and from remeasurement of the balance sheet are reported as "Other (expense) income, net" in our Consolidated Statements of Operations.

The functional currency of our other operations is their local currency. Assets and liabilities of these operations are translated into U.S. dollars at the exchange rates in effect as of the balance sheet dates. Income and expense items are translated at average

RESOLUTE FOREST PRODUCTS INC.
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daily or monthly exchange rates for the period. The resulting translation gains or losses are recognized as a component of equity in “Accumulated other comprehensive loss.”

Distribution costs

Distribution costs represent costs associated with handling finished goods and shipping products to customers. Such costs are included in “Distribution costs” in our Consolidated Statements of Operations.

New accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, “Revenue from Contracts from Customers” (“ASU 2014-09”). ASU 2014-09 provides a framework that replaces existing revenue recognition guidance in U.S. GAAP. This standard is effective for fiscal years beginning after December 15, 2016 and early adoption is prohibited. We are still evaluating the impact of this standard on our results of operations or financial position.

Note 3. Acquisition of Fibrek Inc.

On May 2, 2012 (the “acquisition date”), in connection with an offer to purchase all of the issued and outstanding shares of Fibrek Inc. (“Fibrek”), a producer and marketer of virgin and recycled kraft pulp operating three mills, we acquired a controlling interest in Fibrek and began consolidating its results of operations, financial position and cash flows in our consolidated financial statements. On July 31, 2012 we completed the final step of the transaction for the remaining outstanding shares of Fibrek.

As aggregate consideration for all of the Fibrek shares we purchased, we distributed approximately 3.3 million shares of our common stock and Cdn \$63 million (\$63 million, based on the exchange rates in effect on each of the dates we acquired the shares of Fibrek) in cash. See Note 16, “Commitments and Contingencies,” for additional information.

The following summarizes the fair value as of the acquisition date of all of the consideration transferred through May 2, 2012 to acquire our controlling interest in Fibrek:

<i>(In millions)</i>	
Cash	\$ 36
Common stock issued (1.9 million shares)	24
	\$ 60

The acquisition date fair value of our common stock issued as part of the consideration transferred for Fibrek was determined based on the closing market price of our common stock on the acquisition date.

Subsequent to the acquisition date, we acquired the remaining noncontrolling interest in Fibrek, which we accounted for as equity transactions whereby we adjusted the carrying amount of the noncontrolling interest in Fibrek to reflect the change in our ownership interest in Fibrek. As consideration for this additional equity interest in Fibrek, we distributed approximately 1.4 million shares of our common stock and Cdn \$27 million (\$27 million, based on the exchange rates in effect on each of the dates we acquired the shares of Fibrek) in cash. Transaction costs of approximately \$1 million associated with the acquisition of the noncontrolling interest in Fibrek were recorded in “Additional paid-in capital” in our Consolidated Balance Sheet as of December 31, 2012.

The following unaudited pro forma information for the year ended December 31, 2012 represents our results of operations as if the acquisition of Fibrek had occurred on January 1, 2012. This pro forma information does not purport to be indicative of the results that would have occurred for the period presented or that may be expected in the future.

<i>(Unaudited, in millions except per share data)</i>	2012
Sales	\$ 4,669
Net loss attributable to Resolute Forest Products Inc.	(2)
Basic net loss per share attributable to Resolute Forest Products Inc.	(0.02)
Diluted net loss per share attributable to Resolute Forest Products Inc.	(0.02)

The unaudited pro forma net loss attributable to Resolute Forest Products Inc. for the year ended December 31, 2012 excludes \$19 million of both our and Fibrek’s transaction costs associated with the acquisition.

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Note 4. Amortizable Intangible Assets, Net

Amortizable intangible assets, net as of December 31, 2014 and 2013 were comprised of the following:

<i>(Dollars in millions)</i>	2014				2013		
	Estimated Lives (Years)	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Water rights	10 – 40	\$ 19	\$ 3	\$ 16	\$ 19	\$ 2	\$ 17
Energy contracts	15 – 25	52	6	46	52	3	49
		\$ 71	\$ 9	\$ 62	\$ 71	\$ 5	\$ 66

In order to operate our hydroelectric generation and transmission network, we draw water from various rivers in Québec. For some of our facilities, the use of such government-owned waters is governed by water power leases/agreements with the province of Québec, which set out the terms, conditions, and fees (as applicable). Terms of these agreements typically range from 10 to 25 years and are generally renewable, under certain conditions. In some cases, the agreements are contingent on the continued operation of the related paper mills and a minimum level of capital spending in the region. For our other facilities, the right to generate hydroelectricity stems from our ownership of the bed of the river on which these facilities are located.

Amortization expense related to amortizable intangible assets was \$4 million, \$3 million and \$1 million, for the years ended December 31, 2014, 2013 and 2012, respectively. Amortization expense related to amortizable intangible assets is estimated to be \$3 million per year for each of the next five years.

Note 5. Closure Costs, Impairment and Other Related Charges

Closure costs, impairment and other related charges for the year ended December 31, 2014, were comprised of the following:

<i>(In millions)</i>	Impairment of Assets	Accelerated Depreciation	Pension Plan Curtailments	Severance and Other Costs	Total
Permanent closures:					
Laurentide, Québec paper mill	\$ —	\$ 97	\$ (2)	\$ 20	\$ 115
Paper mill in Iroquois Falls, Ontario	—	60	6	17	83
Paper machine in Catawba, South Carolina	—	45	—	1	46
Pulp and paper mill in Fort Frances, Ontario	—	—	—	12	12
Restructuring initiative:					
Recycling operations ⁽¹⁾	6	—	—	1	7
Other	8	6	—	1	15
	\$ 14	\$ 208	\$ 4	\$ 52	\$ 278

⁽¹⁾ We recorded long-lived asset impairment charges of \$6 million for the year ended December 31, 2014, related to our recycling assets, to reduce the carrying value of the assets to fair value less costs to sell. We disposed of most of these assets in 2014.

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Closure costs, impairment and other related charges for the year ended December 31, 2013, were comprised of the following:

<i>(In millions)</i>	Impairment of Assets ⁽²⁾	Accelerated Depreciation	Pension Plan Curtailments	Severance and Other Costs	Total
Indefinite idlings and extended market-related outage:					
Paper machine in Calhoun, Tennessee ⁽¹⁾	\$ —	\$ 44	\$ —	\$ 6	\$ 50
Kraft mill and paper machines in Fort Frances	—	—	2	15	17
Permanent closure:					
Paper machine in Iroquois Falls	—	2	—	1	3
Other	11	4	1	3	19
	\$ 11	\$ 50	\$ 3	\$ 25	\$ 89

(1) Following our acquisition of the noncontrolling interest in Calhoun Newsprint Company (“CNC”), we indefinitely idled a paper machine at the Calhoun mill on March 12, 2013, resulting in accelerated depreciation charges to reduce the carrying value of the assets to reflect their revised estimated remaining useful lives. In 2014, we restarted the paper machine to produce specialty paper. For additional information regarding our acquisition of the noncontrolling interest in CNC, see Note 7, “Other (Expense) Income, Net.”

(2) Due to declining market conditions, we recorded long-lived asset impairment charges related to our recycling assets to reduce the carrying value of the assets to their estimated fair value, which was determined based on estimated market prices for similar assets.

Closure costs, impairment and other related charges for the year ended December 31, 2012, were comprised of the following:

<i>(In millions)</i>	Impairment of Assets	Accelerated Depreciation	Pension and OPEB Plan Curtailments and Settlements	Severance and Other Costs	Total
Indefinite idlings:					
Mersey operations, Nova Scotia ⁽¹⁾	\$ 72	\$ —	\$ 8	\$ 15	\$ 95
Pulp mill and paper machine in Fort Frances ⁽²⁾	36	2	1	6	45
Permanent closure:					
Paper machine in Laurentide	—	18	—	4	22
Restructuring initiatives:					
Catawba paper mill	—	—	—	4	4
Baie-Comeau, Québec paper mill	—	—	3	1	4
Lump-sum payments to vested terminated employees (Note 14)	—	—	7	—	7
Other	3	1	2	2	8
	\$ 111	\$ 21	\$ 21	\$ 32	\$ 185

(1) We recorded long-lived asset impairment charges (including a \$7 million write-down of an asset retirement obligation for environmental liabilities) related to the indefinite idling and subsequent sale of our interest in our Mersey operations, to reduce the carrying value of our net assets to fair value less costs to sell.

(2) We recorded long-lived asset impairment charges to reduce the carrying value of the assets to their estimated fair value, which was determined based on the assets’ estimated salvage values.

Note 6. Net Gain on Disposition of Assets

During 2012, we sold two parcels of land in Gatineau, Québec, a portion of our Mersey timberlands and subsequently our interest in our Mersey operations and various other assets for total consideration of \$55 million, resulting in a net gain on disposition of assets of \$35 million.

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Note 7. Other (Expense) Income, Net

Other (expense) income, net for the years ended December 31, 2014, 2013 and 2012 was comprised of the following:

<i>(In millions)</i>	2014	2013	2012
Foreign exchange (loss) gain	\$ (32)	\$ (24)	\$ 17
Write-down of equity method investment ⁽¹⁾	(61)	—	—
Net (loss) gain on extinguishment of debt (Note 13)	—	(59)	2
Gain on forgiveness of note payable ⁽²⁾	—	12	—
Gain on liquidation settlement ⁽³⁾	—	12	—
Miscellaneous income (expense)	10	(3)	3
	\$ (83)	\$ (62)	\$ 22

⁽¹⁾ As a result of the continued deterioration of actual and projected cash flows in Ponderay Newsprint Company, a partnership in which we have a 40% interest, we recorded an other-than-temporary write-down of \$61 million in 2014. The carrying value of the investment was reduced to a fair value of *nil*, which was determined using the discounted cash flow method.

⁽²⁾ On March 11, 2013, we acquired the noncontrolling interest in CNC, which was previously owned 51% by us and included in our consolidated financial statements on a fully consolidated basis. As a result, CNC became a wholly-owned subsidiary of ours. In connection with this transaction, we recognized a gain on the forgiveness of a \$12 million note issued by CNC. The acquisition of the noncontrolling interest in CNC was accounted for as an equity transaction.

⁽³⁾ On February 2, 2010, Bridgewater Paper Company Limited (“BPCL”), a subsidiary of ours, filed for administration in the United Kingdom pursuant to the United Kingdom *Insolvency Act 1986*, as amended. As a result, we became a creditor of BPCL and lost control over their operations. In connection with our claims, we received a liquidation settlement of \$12 million in 2013.

Note 8. Accumulated Other Comprehensive Loss

The change in our accumulated other comprehensive loss by component (net of tax) for the year ended December 31, 2014 was as follows:

<i>(In millions)</i>	Unamortized Prior Service Credits	Unamortized Actuarial Losses	Foreign Currency Translation	Total
Balance as of December 31, 2013	\$ 18	\$ (290)	\$ 1	\$ (271)
Other comprehensive income (loss) before reclassifications ⁽¹⁾⁽²⁾	91	(534)	(1)	(444)
Amounts reclassified from accumulated other comprehensive loss ⁽³⁾	(15)	12	—	(3)
Net current period other comprehensive income (loss)	76	(522)	(1)	(447)
Balance as of December 31, 2014	\$ 94	\$ (812)	\$ —	\$ (718)

⁽¹⁾ In 2014, we modified our U.S. OPEB plan, whereby unionized participants, upon reaching Medicare eligibility, will be provided comparable Medicare coverage via a Medicare Exchange program, effective January 1, 2015. As a result of this plan amendment, “Pension and other postretirement benefit obligations” and “Accumulated other comprehensive loss” in our Consolidated Balance Sheet as of December 31, 2014, were both decreased by \$84 million (\$91 million of unamortized prior service credits offset by the remeasurement impact resulting in \$7 million of unamortized actuarial losses).

⁽²⁾ In 2014, we announced the permanent closure of our Laurentide and Iroquois Falls paper mills, resulting in the elimination of approximately 470 positions and the curtailment of two of our pension plans. Accordingly, “Pension and other postretirement benefit obligations” and “Accumulated other comprehensive loss” in our Consolidated Balance Sheet as of December 31, 2014 were increased by \$208 million and \$152 million (net of tax of \$56 million), respectively, which consisted of unamortized actuarial losses.

⁽³⁾ See the table below for details about these reclassifications.

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The reclassifications out of accumulated other comprehensive loss for the year ended December 31, 2014 were comprised of the following:

<i>(In millions)</i>	Amounts Reclassified From Accumulated Other Comprehensive Loss	Affected Line in the Consolidated Statements of Operations
Unamortized Prior Service Credits		
Amortization of prior service credits	\$ (13)	Cost of sales, excluding depreciation, amortization and distribution costs ⁽¹⁾
Curtailment gains	(3)	Closure costs, impairment and other related charges ⁽¹⁾
	1	Income tax benefit (provision)
	\$ (15)	Net of tax
Unamortized Actuarial Losses		
Amortization of actuarial losses	\$ 5	Cost of sales, excluding depreciation, amortization and distribution costs ⁽¹⁾
Curtailment loss	7	Closure costs, impairment and other related charges ⁽¹⁾
Write-down of actuarial losses	4	Other (expense) income, net
	(4)	Income tax benefit (provision)
	\$ 12	Net of tax
Total Reclassifications	\$ (3)	Net of tax

⁽¹⁾ These items are included in the computation of net periodic benefit cost related to our pension and OPEB plans summarized in Note 14, "Pension and Other Postretirement Benefit Plans."

Note 9. Net (Loss) Income Per Share

The weighted-average number of stock options and equity-classified RSUs, DSUs and PSUs (collectively, "stock unit awards") outstanding for the years ended December 31, 2014, 2013 and 2012 was as follows:

<i>(In millions)</i>	2014 ⁽¹⁾	2013 ⁽¹⁾	2012 ⁽²⁾
Stock options	1.6	2.0	1.5
Stock unit awards	1.3	1.0	0.8

⁽¹⁾ These stock options and stock unit awards were excluded from the calculation of diluted net loss per share as the impact would have been antidilutive.

⁽²⁾ The dilutive impact of these stock options and stock unit awards on the weighted-average number of common shares outstanding used to calculate diluted net income per share was nominal.

No adjustments to net (loss) income attributable to Rolute Forest Products Inc. common shareholders were necessary to calculate basic and diluted net (loss) income per share for all periods presented.

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Note 10. Inventories, Net

Inventories, net as of December 31, 2014 and 2013 were comprised of the following:

<i>(In millions)</i>	2014	2013
Raw materials and work in process	\$ 160	\$ 153
Finished goods	192	195
Mill stores and other supplies	190	181
	\$ 542	\$ 529

In 2014, we recorded charges of \$17 million for write-downs of mill stores and other supplies as a result of the permanent closure of our Laurentide and Iroquois Falls paper mills and the permanent closure of a paper machine in Catawba. In 2013, we recorded charges for write-downs of mill stores and other supplies of \$11 million primarily related to the indefinite idling of a paper machine in Calhoun and an extended period of market-related outage for a paper machine in Fort Frances. These charges were included in "Cost of sales, excluding depreciation, amortization and distribution costs" in our Consolidated Statements of Operations.

Note 11. Fixed Assets, Net

Fixed assets, net as of December 31, 2014 and 2013 were comprised of the following:

<i>(Dollars in millions)</i>	Range of Estimated Useful Lives in Years	2014	2013
Land and land improvements	3 – 10	\$ 93	\$ 89
Buildings	3 – 40	293	291
Machinery and equipment ⁽¹⁾	3 – 20	2,318	2,239
Hydroelectric power plants	10 – 40	286	286
Timberlands and timberlands improvements	3 – 20	91	83
Construction in progress ⁽¹⁾		102	61
		3,183	3,049
Less: Accumulated depreciation		(1,198)	(760)
		\$ 1,985	\$ 2,289

⁽¹⁾ Internal-use software included in fixed assets, net as of December 31, 2014 and 2013 was as follows:

<i>(Dollars in millions)</i>	2014	2013
Machinery and equipment	\$ 31	\$ 30
Construction in progress	24	9
	55	39
Less: Accumulated depreciation	(8)	(4)
	\$ 47	\$ 35

Amortization expense related to internal-use software is estimated to be \$8 million per year for each of the next five years.

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Note 12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31, 2014 and 2013 were comprised of the following:

<i>(In millions)</i>	2014	2013
Trade accounts payable	\$ 361	\$ 361
Payroll, bonuses and severance payable	85	97
Accrued interest	5	5
Pension and OPEB obligations	20	24
Income and other taxes payable	13	6
Environmental liabilities	8	5
Other	26	35
	\$ 518	\$ 533

Note 13. Long-Term Debt

Overview

Long-term debt, including current portion, as of December 31, 2014 and 2013, was comprised of the following:

<i>(In millions)</i>	2014	2013
5.875% senior notes due 2023:		
Principal amount	\$ 600	\$ 600
Unamortized discount	(5)	(5)
Total senior notes due 2023	595	595
Other debt:		
PSIF – Investissement Québec loan	—	1
Capital lease obligation	2	3
Total other debt	2	4
Total debt	597	599
Less: Current portion of long-term debt	(1)	(2)
Long-term debt, net of current portion	\$ 596	\$ 597

2023 Notes

We issued \$600 million in aggregate principal amount of 5.875% senior notes due 2023 (the “2023 Notes”) on May 8, 2013, pursuant to an indenture as of that date (the “indenture”). Upon their issuance, the notes were recorded at their fair value of \$594 million, which reflected a discount of \$6 million that is being amortized to interest expense using the interest method over the term of the notes, resulting in an effective interest rate of 6.0%. Interest on the notes is payable semi-annually on May 15 and November 15 of each year, beginning November 15, 2013, until their maturity date of May 15, 2023.

On May 8, 2013, we used the proceeds of the sale of the 2023 Notes to purchase \$496 million aggregate principal amount of the 10.25% senior secured notes due 2018 (the “2018 Notes”), or 99% of the outstanding amount, in connection with the tender offer and consent solicitation that expired on May 21, 2013. Aggregate consideration for the purchase was \$584 million, including accrued and unpaid interest of \$4 million. We then redeemed the remaining \$5 million of principal amount of the 2018 Notes on October 8, 2013, at a redemption price of 103% of the principal amount, plus accrued and unpaid interest. Accordingly, we recorded a loss on extinguishment of debt of \$59 million (net of \$25 million write-down of unamortized premium) in “Other (expense) income, net” in our Consolidated Statements of Operations for the year ended December 31, 2013. On October 10, 2012, we also redeemed \$85 million of principal amount of the 2018 Notes at a redemption price of 103% of the principal amount, plus accrued and unpaid interest.

The 2023 Notes are guaranteed by all of our existing and subsequently acquired or organized direct or indirect wholly-owned U.S. subsidiaries (the “Note Guarantors”) that guarantee the ABL Credit Facility (as defined and discussed below). The notes are unsecured and effectively junior to indebtedness under the ABL Credit Facility to the extent of the value of the collateral

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that secures the ABL Credit Facility and to future secured indebtedness. In addition, the notes are structurally subordinated to all existing and future liabilities of our subsidiaries that do not guarantee the notes.

The terms of the indenture impose certain restrictions, subject to a number of exceptions and qualifications, including limits on our ability to: incur, assume or guarantee additional indebtedness; issue redeemable stock and preferred stock; pay dividends or make distributions or redeem or repurchase capital stock; prepay, redeem or repurchase certain debt; make loans and investments; incur liens; issue dividends, make loans or transfer assets from our subsidiaries; sell or otherwise dispose of assets, including capital stock of subsidiaries; consolidate or merge with or into, or sell substantially all of our assets to, another person; enter into transactions with affiliates; and enter into new lines of business.

At any time prior to May 15, 2017, we may redeem some or all of the 2023 Notes at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and a “make-whole” premium. We may redeem up to 35% of the notes before May 15, 2016 using proceeds from certain equity offerings at a price of 105.875% of the principal amount. In the event of a change of control, each holder will have the right to require us to repurchase all or any part of that holder’s notes at a purchase price in cash equal to 101% of the aggregate principal amount of the notes plus any accrued and unpaid interest. If we sell certain of our assets and do not use the proceeds to pay down certain indebtedness, purchase additional assets or make capital expenditures, each as specified in the indenture, we must offer to purchase the notes at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest with the net cash proceeds from the asset sale.

On or after May 15, 2017, the 2023 Notes will be redeemable, in whole or in part, at redemption prices equal to a percentage of the principal amount plus accrued and unpaid interest, as follows:

Year (beginning May 15)	Redemption Price
2017	104.406%
2018	102.938%
2019	101.469%
2020 and thereafter	100.000%

In connection with the offering of the 2023 Notes, we and the Note Guarantors entered into a registration rights agreement, dated as of May 8, 2013, with the initial purchasers of the 2023 Notes. On May 27, 2014, in accordance with the registration rights agreement, we completed an exchange offer whereby we: (i) exchanged the 2023 Notes for registered notes (which we refer to as the “exchange notes”), with substantially the same terms as the 2023 Notes; and (ii) exchanged the guarantees related to the 2023 Notes for registered guarantees relating to the exchange notes, with substantially the same terms as the original guarantees.

The fair value of the 2023 Notes was \$571 million and \$554 million as of December 31, 2014 and 2013, respectively. The fair value was determined by reference to over-the-counter prices (Level 1).

In connection with the issuance of the 2023 Notes, we incurred fees of approximately \$9 million, which were recorded as deferred financing costs in “Other assets” in our Consolidated Balance Sheet as of December 31, 2013, and are being amortized to interest expense using the interest method over the term of the notes.

ABL Credit Facility

In 2010, we and three of our wholly-owned subsidiaries, Resolute FP US Inc., and Abibow Recycling LLC (collectively, the “U.S. Borrowers”) and Resolute FP Canada Inc. (the “Canadian Borrower” and, together with the U.S. Borrowers, the “Borrowers”), entered into a senior secured asset-based revolving credit facility (the “ABL Credit Facility”) with a syndicate of lenders. The proceeds of the ABL Credit Facility can be used by us for, among other things, working capital, capital expenditures, permitted acquisitions and other general corporate purposes.

On February 25, 2014, the Borrowers and the Guarantors (as defined below) entered into an amendment to the credit agreement that governs the ABL Credit Facility. The ABL Credit Facility, as amended, matures on October 28, 2016 and provides for an asset-based, revolving credit facility with an aggregate lender commitment of up to \$665 million at any time outstanding, subject to borrowing base availability, including a \$60 million swingline sub-facility and a \$200 million letter of credit sub-facility. The ABL Credit Facility includes a \$465 million tranche available to the Borrowers and a \$200 million tranche available solely to the U.S. Borrowers, in each case subject to the borrowing base availability of those Borrowers. The ABL Credit Facility also provides for an uncommitted incremental loan facility of up to \$200 million, subject to certain terms and conditions set forth in the ABL Credit Facility.

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Revolving loan (and letter of credit) availability under the ABL Credit Facility is subject to borrowing base availability, which at any time is equal to, for the Borrowers, the sum of: (i) 85% of eligible domestic accounts receivable and 90% of eligible international accounts receivable; (ii) the lesser of 65% of eligible inventory or 85% of the net orderly liquidation value of eligible inventory, minus certain reserves; and (iii) 100% of cash deposits, limited to \$100 million and subject to certain conditions.

The obligations of the U.S. Borrowers under the ABL Credit Facility are guaranteed by each of the other U.S. Borrowers and certain of our material U.S. subsidiaries (the “U.S. Guarantors”), and secured by first priority liens on and security interests in accounts receivable, inventory and related assets of the U.S. Borrowers and the U.S. Guarantors. The obligations of the Canadian Borrower under the ABL Credit Facility are guaranteed by each of the other Borrowers, the U.S. Guarantors and certain of our material Canadian subsidiaries (the “Canadian Guarantors” and, together with the U.S. Guarantors, the “Guarantors”), and are secured by first priority liens on and security interests in accounts receivable, inventory and related assets of the Borrowers and the Guarantors.

Borrowings under the ABL Credit Facility bear interest at a rate equal to, at the Borrower’s option, the base rate, the Canadian prime rate or the Eurodollar rate, in each case plus an applicable margin. The base rate under the ABL Credit Facility equals the greater of: (i) a specified base rate, (ii) the Federal Funds rate plus 0.5%, (iii) a specified rate for certificates of deposit having a term of three months plus 0.5% or (iv) the Eurodollar rate for a one month interest period plus 1.0%. The interest rate margin applicable to borrowings under the ABL Credit Facility, as amended, is 1.75% – 2.25% per annum with respect to Eurodollar rate and bankers’ acceptance rate borrowings and 0.75% – 1.25% per annum with respect to base rate and Canadian prime rate borrowings, in each case depending on historic excess availability under the ABL Credit Facility. The applicable margin is subject, in each case, to monthly pricing adjustments based on the average monthly historic excess availability under the ABL Credit Facility.

In addition to paying interest on the outstanding borrowings under the ABL Credit Facility, the Borrowers are required to pay a fee in respect of unutilized commitments. The unutilized commitment fee payable by the Borrowers under the ABL Credit Facility, as amended, is 0.375% – 0.50% per annum, subject to monthly pricing adjustments based on the unutilized commitment of the ABL Credit Facility. The Borrowers must also pay a fee on outstanding letters of credit under the ABL Credit Facility at a rate equal to the applicable margin in respect of Eurodollar borrowings, plus a facing fee as agreed to in writing from time to time, and certain administrative fees.

The Borrowers are able to voluntarily repay outstanding loans and reduce unused commitments, in each case, in whole or in part, at any time without premium or penalty. The Borrowers are required to repay outstanding loans anytime the outstanding loans exceed the maximum availability then in effect. The Borrowers are also required to use net proceeds from certain significant asset sales to repay outstanding loans, but may re-borrow following such prepayments if the conditions to borrowings are met.

The ABL Credit Facility contains customary covenants for asset-based credit agreements of this type, including, among other things: (i) requirements to deliver financial statements, other reports and notices; (ii) restrictions on the existence or incurrence and repayment of indebtedness; (iii) restrictions on the existence or incurrence of liens; (iv) restrictions on making certain restricted payments; (v) restrictions on making certain investments; (vi) restrictions on certain mergers, consolidations and asset dispositions; (vii) restrictions on transactions with affiliates; (viii) restrictions on amendments or modifications to the Canadian pension and benefit plans and (ix) restrictions on modifications to material indebtedness. Additionally, a minimum consolidated fixed charge coverage ratio of 1.0:1.0 is required if at any time excess availability falls below the greater of: (i) \$50 million and (ii) 10% of the lesser of (A) the total commitments and (B) the borrowing base then in effect. Subject to customary grace periods and notice requirements, the ABL Credit Facility also contains customary events of default.

As of December 31, 2014, the Borrowers had no borrowings and \$37 million of letters of credit outstanding under the ABL Credit Facility. As of December 31, 2014, we had \$521 million of availability under the ABL Credit Facility, which was comprised of \$318 million for the U.S. Borrowers and \$203 million for the Canadian Borrower.

The carrying value of assets pledged as collateral for our total debt obligations was approximately \$1.4 billion as of December 31, 2014.

Other debt

We assumed Fibrek’s outstanding indebtedness on the acquisition date. As of December 31, 2012, Fibrek’s term loan and credit facility, totaling \$112 million of principal, were repaid in full, plus accrued and unpaid interest, and the related agreements were canceled and terminated.

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PSIF – Investissement Québec

On February 23, 2007, Investissement Québec granted Fibrek a Cdn \$6 million interest-free loan through the Soutien à l'industrie forestière program ("PSIF"), payable in monthly installments over a maximum of four years, starting December 31, 2010. As of December 31, 2014, the loan was repaid in full.

Capital lease obligation

We have a capital lease obligation for a warehouse, which can be renewed for 20 years at our option. Minimum payments are determined by an escalatory price clause.

Note 14. Pension and Other Postretirement Benefit Plans

We have multiple contributory and non-contributory defined benefit pension plans covering a significant portion of our U.S. and Canadian employees. We also sponsor a number of OPEB plans (e.g., defined benefit health care and life insurance plans) for retirees at certain locations. Benefits are based on years of service and, depending on the plan, average compensation earned by employees either during their last years of employment or over their careers. Our plan assets and cash contributions to the plans have been sufficient to provide pension benefits to participants and meet the funding requirements of the Employee Retirement Income Security Act of 1974 in the United States as well as applicable legislation in Canada. In particular, the cash contributions required for our material registered Canadian pension plans are specified in the funding relief regulations with regards to the solvency deficits in the affected plans, as further discussed below under "Canadian pension funding."

In addition to the previously described plans, we have a number of defined contribution plans covering substantially all of our U.S. employees and a significant portion of our Canadian employees. Under the U.S. defined contribution plan, employees are allowed to make contributions that we match. In addition, under the U.S. defined contribution plan, most employees also receive an automatic company contribution, regardless of the employee's contribution. The amount of the automatic company contribution is a percentage of the employee's pay, determined based on age and years of service. The Canadian registered defined contribution plans provide for mandatory contributions by employees and by us, as well as opportunities for employees to make additional optional contributions and receive, in some cases, matching contributions on those optional amounts. Our expense for the defined contribution plans totaled \$22 million in 2014 and 2013, respectively, and totaled \$21 million in 2012.

Certain of the above plans are covered under collective bargaining agreements.

The following tables include both our foreign (Canada and South Korea) and domestic (U.S.) plans. The assumptions used to measure the obligations of each of our foreign and domestic plans are not significantly different from each other, with the exception of the health care trend rates, which are presented below.

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The changes in our pension and OPEB obligations and plan assets for the years ended December 31, 2014 and 2013 and the funded status and reconciliation of amounts recognized in our Consolidated Balance Sheets as of December 31, 2014 and 2013 were as follows:

<i>(In millions)</i>	Pension Plans		OPEB Plans	
	2014	2013	2014	2013
Change in benefit obligations:				
Benefit obligations as of beginning of year	\$ 6,004	\$ 6,724	\$ 310	\$ 424
Service cost	26	33	1	3
Interest cost	274	274	11	16
Actuarial loss (gain)	788	(208)	10	(79)
Participant contributions	11	18	4	5
Plan amendments	—	18	(91)	(21)
Curtailments	4	7	—	—
Settlements	(5)	(6)	—	—
Benefits paid	(440)	(489)	(23)	(27)
Effect of foreign currency exchange rate changes	(433)	(367)	(12)	(11)
Benefit obligations as of end of year	6,229	6,004	210	310
Change in plan assets:				
Fair value of plan assets as of beginning of year	5,013	5,175	—	—
Actual return on plan assets	450	472	—	—
Employer contributions	142	133	19	22
Participant contributions	11	18	4	5
Settlements	(5)	(6)	—	—
Benefits paid	(440)	(489)	(23)	(27)
Effect of foreign currency exchange rate changes	(363)	(290)	—	—
Fair value of plan assets as of end of year	4,808	5,013	—	—
Funded status as of end of year	\$ (1,421)	\$ (991)	\$ (210)	\$ (310)
Amounts recognized in our Consolidated Balance Sheets consisted of:				
Other assets	\$ 5	\$ 17	\$ —	\$ —
Accounts payable and accrued liabilities	(4)	(3)	(16)	(21)
Pension and OPEB obligations	(1,422)	(1,005)	(194)	(289)
Net obligations recognized	\$ (1,421)	\$ (991)	\$ (210)	\$ (310)

The total benefit obligations and the total fair value of plan assets for pension plans with benefit obligations in excess of plan assets were \$5,947 million and \$4,521 million, respectively, as of December 31, 2014, and were \$5,079 million and \$4,071 million, respectively, as of December 31, 2013. The total accumulated benefit obligations and the total fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$5,765 million and \$4,417 million, respectively, as of December 31, 2014, and were \$5,014 million and \$4,071 million, respectively, as of December 31, 2013. The total accumulated benefit obligations for all pension plans were \$6,150 million and \$5,931 million as of December 31, 2014 and 2013, respectively.

Plan amendments

In 2014, we modified our U.S. OPEB plan, whereby unionized participants, upon reaching Medicare eligibility, will be provided comparable Medicare coverage via a Medicare Exchange program, effective January 1, 2015. This plan amendment resulted in a prior service credit of \$91 million. For additional information on this plan amendment, see Note 8, "Accumulated Other Comprehensive Loss." In 2013, we also approved an amendment to our U.S. OPEB plan, effective January 1, 2014,

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whereby salaried retirees, upon reaching Medicare eligibility, are provided comparable Medicare coverage via a Medicare Exchange program. This plan amendment resulted in a prior service credit of \$21 million and an actuarial gain of \$36 million.

In addition, following the restart of our previously closed Gatineau paper mill, 119 employees were reinstated to one of our pension plans in 2013, which resulted in a prior service cost of \$18 million.

Components of net periodic benefit cost

The components of net periodic benefit cost relating to our pension and OPEB plans for the years ended December 31, 2014, 2013 and 2012 were as follows:

<i>(In millions)</i>	Pension Plans			OPEB Plans		
	2014	2013	2012	2014	2013	2012
Service cost	\$ 26	\$ 33	\$ 36	\$ 1	\$ 3	\$ 3
Interest cost	274	274	312	11	16	20
Expected return on plan assets	(300)	(308)	(340)	—	—	—
Amortization of prior service credits	(2)	(2)	—	(11)	(1)	—
Amortization of actuarial losses (gains)	9	25	—	(4)	(2)	—
Net periodic benefit cost before special events	7	22	8	(3)	16	23
Curtailments and settlements	4	3	21	—	—	—
	\$ 11	\$ 25	\$ 29	\$ (3)	\$ 16	\$ 23

The prior service credits and the actuarial gains and losses are amortized to “Cost of sales, excluding depreciation, amortization and distribution costs” in our Consolidated Statements of Operations, over the expected average remaining service lifetime or the average future lifetime, as applicable, of the respective plans. We estimate that \$78 million of actuarial losses and \$15 million of prior service credits will be amortized from accumulated other comprehensive loss into our Consolidated Statements of Operations in 2015.

The following is a summary of the special events that impacted our net periodic benefit costs as a curtailment or settlement for the years ended December 31, 2014, 2013 and 2012:

<i>(In millions)</i>	Pension Plans			OPEB Plans		
	2014	2013	2012	2014	2013	2012
Settlements resulting from lump-sum payouts	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ —
Curtailments resulting from closure related and other workforce reductions	4	3	11	—	—	—
	\$ 4	\$ 3	\$ 21	\$ —	\$ —	\$ —

In 2014, we recorded net charges for curtailments related to the permanent closure of our Laurentide and Iroquois Falls paper mills (eliminating approximately 470 positions and resulting in the curtailment of two of our pension plans). The net costs of these curtailments were included in “Closure costs, impairment, and other related charges” in our Consolidated Statements of Operations for the year ended December 31, 2014.

In 2013, we recorded charges for curtailments primarily related to an extended period of market-related outage at our Fort Frances paper mill, which was permanently closed on May 6, 2014, resulting in the elimination of approximately 150 positions. The cost of this curtailment was included in “Closure costs, impairment, and other related charges” in our Consolidated Statements of Operations for the year ended December 31, 2013.

In 2012, we recorded charges for curtailments and settlements primarily related to the indefinite idling of part of our Mersey operations (eliminating 176 positions), a workforce reduction at our Baie-Comeau paper mill (eliminating 90 positions) and the lump-sum payments for the vested terminated employees in certain of our U.S. pension plans. The cost of these curtailments and settlements was included in “Closure costs, impairment and other related charges” in our Consolidated Statements of Operations for the year ended December 31, 2012.

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Assumptions used to determine benefit obligations and net periodic benefit cost

The weighted-average assumptions used to determine the benefit obligations at the measurement dates and the net periodic benefit cost for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Pension Plans			OPEB Plans		
	2014	2013	2012	2014	2013	2012
Benefit obligations:						
Discount rate	4.0%	4.9%	4.3%	4.0%	5.0%	4.2%
Rate of compensation increase	2.5%	2.5%	2.5%			
Net periodic benefit cost:						
Discount rate	4.9%	4.3%	4.9%	5.0%	4.2%	4.9%
Expected return on assets	6.5%	6.3%	6.5%			
Rate of compensation increase	2.5%	2.5%	1.2%			

The discount rate for our domestic and foreign plans was determined with a model that develops a hypothetical high-quality bond portfolio, where the bonds are theoretically purchased to settle the expected benefit payments of the plans. The discount rate reflects the single rate that produces the same discounted values as the value of the theoretical bond portfolio. In determining the expected return on assets, we considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. In determining the rate of compensation increase, we reviewed historical salary increases and promotions, while considering current industry conditions, the terms of collective bargaining agreements with our employees and the outlook for our industry. In determining the life expectancy rate of our domestic and foreign plans, we used recently-issued actuarially-determined mortality tables and improvement scales. For the foreign plans, the mortality tables were adjusted with the result of our historical mortality experience study. Consistent with our future expectations, the rate used reflects a longer life expectancy for the employees who participate in our pension and OPEB plans.

The assumed health care cost trend rates used to determine the benefit obligations for our domestic and foreign OPEB plans as of December 31, 2014 and 2013 were as follows:

	2014		2013	
	Domestic Plans	Foreign Plans	Domestic Plans	Foreign Plans
Health care cost trend rate assumed for next year	7.2%	4.4%	7.5%	4.4%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	4.5%	3.8%	4.5%	3.8%
Year that the rate reaches the ultimate trend rate	2028	2033	2028	2033

For the health care cost trend rates, we considered historical trends for these costs, actual experience of the plans, recently enacted health care legislation as well as future expectations.

Variations in this health care cost trend rate can have a significant effect on the amounts reported. A 1% change in this assumption would have had the following impact on our 2014 OPEB obligation and costs for our domestic and foreign plans:

<i>(Dollars in millions)</i>	1% Increase				1% Decrease			
	Domestic Plans		Foreign Plans		Domestic Plans		Foreign Plans	
OPEB obligation	\$ 4	5%	\$ 7	5%	\$ (3)	(4)%	\$ (6)	(4)%
Service and interest costs	\$ 1	15%	\$ —	5%	\$ (1)	(13)%	\$ —	(4)%

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Fair value of plan assets

The fair value of plan assets held by our pension plans as of December 31, 2014 was as follows:

<i>(In millions)</i>	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. companies	\$ 678	\$ 678	\$ —	\$ —
Non-U.S. companies	1,015	723	292	—
Debt securities:				
Corporate and government securities	2,715	494	2,221	—
Asset-backed securities	110	—	110	—
Bank loans/foreign annuities	4	—	—	4
Real estate	47	—	—	47
Cash and cash equivalents	197	197	—	—
Accrued interest and dividends	42	—	42	—
	\$ 4,808	\$ 2,092	\$ 2,665	\$ 51

The fair value of plan assets held by our pension plans as of December 31, 2013 was as follows:

<i>(In millions)</i>	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. companies	\$ 751	\$ 751	\$ —	\$ —
Non-U.S. companies	912	636	276	—
Debt securities:				
Corporate and government securities	2,611	240	2,371	—
Asset-backed securities	161	—	161	—
Bank loans/foreign annuities	40	—	—	40
Real estate	48	—	—	48
Cash and cash equivalents	444	444	—	—
Accrued interest and dividends	46	—	46	—
	\$ 5,013	\$ 2,071	\$ 2,854	\$ 88

Equity securities include large-cap and mid-cap publicly-traded companies mainly located in the United States, Canada and other developed countries, as well as commingled equity funds invested in the same types of securities. The fair value of the equity securities is determined based on quoted market prices (Level 1) or the net asset values per share that are derived from the accumulated fair values of the equity securities within the commingled funds (Level 2).

Debt securities include corporate bonds of U.S. and Canadian companies from diversified industries, bonds and Treasuries issued by the U.S. government and the Canadian federal and provincial governments, asset-backed securities and commingled fixed income funds invested in these same types of securities. The fair value of the debt securities is determined based on quoted market prices (Level 1), market-corroborated inputs such as matrix prices, yield curves and indices (Level 2) or the net asset values per share that are derived from the accumulated fair values of the debt securities within the commingled funds (Level 2). Bank loan investments are primarily located in the U.S. The fair value of bank loans is determined based on the mid-point of the bid and ask price points (Level 3).

Real estate investments are located in Canada. The fair value of the real estate is determined based on an appraisal completed by a national real estate firm. Those appraisers use several valuation concepts, including the cost approach, market approach and income approach (Level 3).

The fair value of accrued interest and dividends is determined based on market-corroborated inputs such as declared dividends and stated interest rates (Level 2).

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The changes in Level 3 pension plan assets for the years ended December 31, 2014 and 2013 were as follows:

<i>(In millions)</i>	Bank Loans/ Foreign Annuities	Real Estate	Total
Balance as of December 31, 2012	\$ 41	\$ 46	\$ 87
Unrealized gains relating to assets held as of December 31, 2013	2	5	7
Purchases	40	—	40
Sales	(41)	—	(41)
Effect of foreign currency exchange rate changes	(2)	(3)	(5)
Balance as of December 31, 2013	40	48	88
Unrealized (losses) gains relating to assets held as of December 31, 2014	(2)	3	1
Realized gains	2	—	2
Purchases	11	—	11
Sales	(44)	—	(44)
Effect of foreign currency exchange rate changes	(3)	(4)	(7)
Balance as of December 31, 2014	\$ 4	\$ 47	\$ 51

Long-term strategy and objective

Our investment strategy and objective is to maximize the long-term rate of return on our plan assets within an acceptable level of risk in order to meet our current and future obligations to pay benefits to qualifying employees and their beneficiaries while minimizing and stabilizing pension benefit costs and contributions. One way we accomplish this objective is to diversify our plan investments. Diversification of assets is achieved through strategic allocations to various asset classes, as well as various investment styles within these asset classes, and by retaining multiple, experienced third-party investment management firms with complementary investment styles and philosophies to implement these allocations. Risk is further managed by reviewing our investment policies at least annually and monitoring our fund managers at least quarterly for compliance with mandates and performance measures. A series of permitted and prohibited investments are listed in our respective investment policies, which are provided to our fund managers. The use of derivative financial instruments for speculative purposes and investments in the equity or debt securities of Resolute Forest Products and its affiliates are prohibited.

We have established a target asset allocation and an allowable range from such target asset allocation for our plans based upon analysis of risk/return tradeoffs and correlations of asset mixes given long-term historical returns, prospective capital market returns, forecasted benefit payments and the forecasted timing of those payments. The targeted asset allocation of the plan assets is designed to hedge the change in the pension liabilities resulting from fluctuations in the discount rate by investing in debt and other securities, while also generating excess returns required to reduce the unfunded pension deficit by investing in equity securities with higher potential returns. The targeted asset allocation of the plan assets is 50% equity securities, with an allowable range of 30% to 60%, and 50% debt and other securities, with an allowable range of 40% to 70%, including up to 5% in short-term instruments required for near-term liquidity needs. Approximately 60% of the equity securities are targeted to be invested in the U.S. and Canada, with the balance in other developed and emerging countries. Substantially all of the debt securities are targeted to be invested in the U.S. and Canada. The asset allocation for each plan is reviewed periodically and rebalanced toward the targeted asset mix when the fair value of the investments within an asset class falls outside the predetermined range.

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Expected benefit payments and future contributions

As of December 31, 2014, benefit payments expected to be paid over the next 10 years are as follows:

<i>(In millions)</i>	Pension Plans ⁽¹⁾	OPEB Plans
2015	\$ 406	\$ 16
2016	407	16
2017	407	15
2018	407	15
2019	406	14
2020 - 2024	1,976	67

⁽¹⁾ Benefit payments are expected be paid from the plans' net assets.

We expect our 2015 pension contributions (excluding contributions to our defined contribution plans) to be approximately \$129 million, including pension contributions of Cdn \$121 million (\$104 million, based on the exchange rate in effect on December 31, 2014) related to our Canadian plans.

Patient Protection and Affordable Care Act

In March 2010, the Patient Protection and Affordable Care Act (the "PPACA") was enacted, potentially impacting our cost to provide healthcare benefits to eligible active and retired employees. The PPACA has both short-term and long-term implications on benefit plan standards. Implementation of this legislation began in 2010 and is expected to continue in phases from 2011 through 2018.

We have analyzed this legislation to determine: (i) the impact of the required plan standard changes on our employee healthcare plans, (ii) the effect of the excise tax on high cost healthcare plans and (iii) the resulting costs. The impact, for those changes that were currently estimable, was not material to our results of operations. In 2013, PPACA also introduced the health insurance exchange system to facilitate the purchase of state health insurance. Individuals may purchase insurance from a set of government standardized plans offering federal subsidies. In light of this new arrangement, we decided to transfer post-Medicare coverage via a Medicare Exchange program starting in 2014 for U.S. non-unionized employees and in 2015 for U.S. unionized employees. For additional information, see Note 8, "Accumulated Other Comprehensive Loss."

Moving Ahead for Progress in the 21st Century Act and the Highway and Transportation Funding Act

In July 2012, the Moving Ahead for Progress in the 21st Century Act (the "MAP-21") was signed into law, offering optional short-term funding relief for domestic pension plan sponsors. The discount-rate stabilization provision in MAP-21 limits the discount rates applicable in determining funding requirements to rates within a specified corridor of a 25-year average. Additionally, in August 2014, the Highway and Transportation Funding Act (the "HATFA") was signed into law, further extending the interest rate corridors implemented via the MAP-21. As a result of these enactments, the corridor was 10% and 15% of a 25-year average in 2014 and 2013, respectively. Under the HATFA, the corridor will be maintained at 10% through 2017, and widen an additional 5% each year to 30% in 2021 and beyond. Both enactments provide relief in the form of reduced minimum required contributions, and therefore, the required contributions for our domestic plans in 2014 and 2013 were reduced by \$35 million and \$23 million, respectively.

Canadian pension funding

Funding relief measures

The funding of our material Canadian registered pension plans, which we refer to as the "affected plans," representing approximately 70% of our unfunded pension obligations as of December 31, 2014, is governed by regulations specific to us, adopted by the provinces of Ontario and Québec. We refer to these regulations, the effect of which will lapse in 2020, as the "funding relief regulations."

As amended, the funding relief regulations provide that our aggregate annual contribution in respect of the solvency deficits in the affected plans for each year until 2020 is limited to a Cdn \$80 million basic contribution and a supplemental contribution, beginning in 2016, if the plans' aggregate solvency ratio is more than 2% below the target specified in the regulations for the preceding year, subject to certain conditions. The first such supplemental contribution, if any, which essentially prevents

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payments of benefits from further depleting the plans' solvency ratio, is capped at Cdn \$25 million. Any amount payable in respect of any subsequent year would be payable over a three year period.

As part of the amendments to the funding relief regulations adopted in 2014, the annual basic contribution in respect of the solvency deficits in the affected plans was increased from Cdn \$50 million to Cdn \$80 million for each year from 2013 through 2020. The regulations previously included a conditional additional contribution feature based on a measure of free cash flow (as determined in accordance with the regulations), which would have applied as of 2013 below a certain solvency threshold, but this was removed in connection with the 2014 amendments.

Should a plan move to surplus before the funding relief regulations expire in 2020, it will cease to be subject to the regulations. After 2020, the funding rules in place at the time will apply to any remaining deficit, if any.

In connection with the establishment of the original funding relief regulations, our principal Canadian operating subsidiary made a number of undertakings applicable until the end of 2015, with a commitment to re-evaluate after the end of the initial term. As such, our subsidiary undertook to:

- not pay a dividend at any time when the weighted average solvency ratio of its affected plans is less than 80%;
- abide by the compensation plan detailed in the Plans of Reorganization with respect to salaries, bonuses and severance;
- direct at least 60% of the maintenance and value-creation investments earmarked for our Canadian pulp and paper operations to projects in Québec and at least 30% to projects in Ontario;
- invest a minimum of Cdn \$50 million over a two to three year construction period for a new condensing turbine at our Thunder Bay, Ontario, facility, subject to certain conditions;
- invest at least Cdn \$75 million in strategic projects in Québec over a five-year period;
- maintain our head office and the then-current related functions in Québec;
- make an additional solvency deficit reduction contribution to its pension plans of Cdn \$75, payable over four years, for each metric ton of capacity reduced in Québec or Ontario, in the event of downtime of more than six consecutive months or nine cumulative months over a period of 18 months;
- create a diversification fund by contributing Cdn \$2 million per year for five years for the benefit of the municipalities and workers in our Québec operating regions;
- pay an aggregate of Cdn \$5 million over five years to be used for such environmental remediation purposes instructed by the province of Ontario; and
- maintain and renew certain financial assurances with the province of Ontario in respect of certain properties in the province.

Concerning the undertaking to make an additional solvency deficit reduction contribution for capacity reductions in Québec or Ontario, as part of the 2014 amendments to the funding relief regulations, it was determined that no additional contribution would be made in respect of any capacity reduction in Québec before April 13, 2013. The application of this undertaking in respect of capacity reductions in Ontario has yet to be settled. As a result of this undertaking to the provinces, starting in 2015 and for each of the next three years, we expect we will be required to make additional contributions of approximately Cdn \$20 million.

As originally adopted, the funding relief regulations provided that corrective measures would be required if the aggregate solvency ratio in the affected plans fell below a prescribed level under the targets specified by the regulations as of December 31 in any year through 2014. This requirement was definitively removed with the amendments to the funding relief regulations adopted in 2014. But according to the Ontario regulations, the corresponding 2011 and 2012 amounts in respect of Ontario plans (Cdn \$110 million in the aggregate) have been deferred to after the expiration of the funding relief regulations in 2020, and will then be payable over five years in equal monthly installments starting on December 31, 2021, but only up to the elimination of the then remaining deficit, if any.

Solvency deficit

The requirement to make supplemental contributions is based in part on the aggregate solvency ratio of the affected plans. The aggregate solvency ratio calculation is based on a number of factors and assumptions, including the accrued benefits to be provided by the plans, interest rate levels, membership data and demographic experience. The assumptions used in the solvency

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calculation are materially different from the assumptions used to arrive at net pension and OPEB obligations for purposes of our consolidated financial statements.

Under Canadian actuarial rules for solvency determinations, the liabilities are calculated on the assumption that the plans are terminated at the measurement date (each December 31 for the affected plans), and the liabilities are discounted primarily using a specified annuity purchase rate, which is that day's spot interest rate on government securities in Canada plus a prescribed margin. By contrast, for purposes of our consolidated financial statements, the discount rate is determined with a model that develops a hypothetical high-quality bond portfolio, where the bonds are theoretically purchased to settle the expected benefit payments of the plans.

As of December 31, 2014, a 1% change in the discount rate for solvency purposes would result in an approximate Cdn \$380 million (\$330 million, based on the exchange rate in effect on December 31, 2014) change in the solvency deficit.

Note 15. Income Taxes

Loss before income taxes by taxing jurisdiction for the years ended December 31, 2014, 2013 and 2012 was as follows:

<i>(In millions)</i>	2014	2013	2012
United States	\$ (221)	\$ (168)	\$ (34)
Foreign	(83)	53	(38)
	\$ (304)	\$ (115)	\$ (72)

The income tax benefit (provision) for the years ended December 31, 2014, 2013 and 2012 was comprised of the following:

<i>(In millions)</i>	2014	2013	2012
U.S. Federal and State:			
Current	\$ (4)	\$ —	\$ (2)
Deferred	6	(504)	17
	2	(504)	15
Foreign:			
Current	(2)	(1)	5
Deferred	30	(19)	19
	28	(20)	24
Total:			
Current	(6)	(1)	3
Deferred	36	(523)	36
	\$ 30	\$ (524)	\$ 39

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The income tax benefit (provision) attributable to loss before income taxes differs from the amounts computed by applying the United States federal statutory income tax rate of 35% for the years ended December 31, 2014, 2013 and 2012 as a result of the following:

<i>(In millions)</i>	2014	2013	2012
Loss before income taxes	\$ (304)	\$ (115)	\$ (72)
Income tax benefit (provision):			
Expected income tax benefit	106	40	25
Changes resulting from:			
Valuation allowance ⁽¹⁾	(51)	(572)	(24)
Reorganization-related and other tax adjustments ⁽²⁾	—	—	13
Foreign exchange	(17)	(4)	10
Research and development tax incentives	1	2	8
State income taxes, net of federal income tax benefit	5	3	1
Foreign tax rate differences	(8)	4	1
Other, net	(6)	3	5
	\$ 30	\$ (524)	\$ 39

⁽¹⁾ During 2014, we recorded a net increase in our valuation allowance of \$51 million, primarily due to an increase in the valuation allowance related to our U.S. operations, where we do not recognize net deferred income tax assets, partly offset by a tax benefit related to the reversal of our valuation allowance related to Fibrek Holding Inc., a Canadian wholly-owned subsidiary. See “Deferred income taxes” section below for a further discussion of the valuation allowance.

During 2013, we recorded a net increase in the valuation allowance of \$572 million, most of which related to a charge recorded to establish a full valuation allowance against our net U.S. deferred income tax assets.

During 2012, the increase in the valuation allowance primarily related to costs associated with the indefinite idling of our Mersey operations prior to the sale, where we did not recognize tax benefits, as well as an increase in the valuation allowance for certain benefits in Canada and the U.S. that were expected to expire unused. Partially offsetting these increases was a release of valuation allowance related to the U.S. Fibrek operations, following an internal reorganization where the U.S. Fibrek group joined our U.S. consolidated group.

⁽²⁾ During 2012, we recorded reorganization-related and other tax adjustments, which represented adjustments to our previously-reported tax balance sheet accounts.

Deferred income taxes

At each reporting period, we assess whether it is more likely than not that the deferred income tax assets will be realized, based on the review of all available positive and negative evidence, including future reversals of existing taxable temporary differences, estimates of future taxable income, past operating results and prudent and feasible tax planning strategies. The carrying value of our deferred income tax assets reflects our expected ability to generate sufficient future taxable income in certain tax jurisdictions to utilize these deferred income tax benefits.

In 2013, following the assessment of our ability to realize the deferred income tax assets of our U.S. operations, we concluded that existing negative evidence outweighed positive evidence and that a full valuation allowance against our net deferred income tax assets was required. The recent cumulative loss of our U.S. operations limited our ability to consider other subjective positive evidence, such as projections of future earnings. As a result, for the year ended December 31, 2013, we recorded a charge in order to establish a full valuation allowance against our net U.S. deferred income tax assets. For the year ended December 31, 2014, negative evidence still outweighed positive evidence and we maintained a full valuation allowance against our net U.S. deferred income tax assets. A valuation allowance does not reduce our underlying tax attributes, nor hinders our ability to use them in the future.

The weight of positive evidence, which included a review of historical cumulative earnings and our expected future performance, resulted in the conclusion by management that valuation allowances were not required for our deferred income tax assets in Canada, as they were determined to be more likely than not to be realized. During 2014, Fibrek Holding Inc., a Canadian wholly-owned subsidiary, emerged from a three-year cumulative loss position, primarily due to improved profitability

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over the preceding two years. Considering its recent earnings history and positive outlook, we determined that a valuation allowance on the net deferred income tax assets was no longer required as of December 31, 2014, and a tax benefit was recorded as a result of the reversal of the valuation allowance.

Deferred income taxes as of December 31, 2014 and 2013 were comprised of the following:

<i>(In millions)</i>	2014	2013
Fixed assets	\$ (191)	\$ (236)
Deferred gains	—	(41)
Other liabilities	(13)	(54)
Deferred income tax liabilities	(204)	(331)
Fixed assets	591	575
Pension and OPEB plans	480	389
Ordinary loss carryforwards	767	843
Capital loss carryforwards ⁽¹⁾	3	444
Research and development expense pool	204	223
Tax credit carryforwards	109	119
Other assets	91	99
Deferred income tax assets	2,245	2,692
Valuation allowance	(755)	(1,121)
Net deferred income tax assets	\$ 1,286	\$ 1,240
Amounts recognized in our Consolidated Balance Sheets consisted of:		
Deferred income tax assets – current	\$ 70	\$ 32
Deferred income tax assets – noncurrent	1,219	1,266
Deferred income tax liabilities - current	—	(32)
Deferred income tax liabilities – noncurrent	(3)	(26)
Net deferred income tax assets	\$ 1,286	\$ 1,240

⁽¹⁾ During 2014, all of our U.S. capital loss carryforwards expired unutilized. Accordingly, \$440 million of U.S. deferred income tax assets related to the capital loss carryforwards were offset by a corresponding reduction in the valuation allowance.

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The balance of tax attributes and their dates of expiration as of December 31, 2014 were as follows:

<i>(In millions)</i>	Related Deferred Income Tax Asset	Year of Expiration
Ordinary loss carryforwards:		
U.S. Federal ordinary loss carryforwards of \$1,788	\$ 626 ⁽¹⁾	2021 – 2034
U.S. State ordinary loss carryforwards of \$1,710	70 ⁽¹⁾	2015 – 2034
Canadian Federal and provincial (excluding Québec) ordinary loss carryforwards of \$131	20	2023 – 2032
Québec ordinary loss carryforwards of \$289	28	2023 – 2032
Other ordinary loss carryforwards	23	2019 – 2024
	\$ 767	
Capital loss carryforwards:		
Canadian capital loss carryforwards of \$11	3	Indefinite
	\$ 3	
Research and development expense pool:		
Canadian Federal and provincial (excluding Québec) research and development expense pool of \$722	\$ 129	Indefinite
Québec research and development expense pool of \$884	75	Indefinite
	\$ 204	
Tax credit carryforwards:		
Canadian research and development tax credit carryforwards	\$ 106	2022 – 2034
U.S. State tax credit carryforwards	3 ⁽¹⁾	2015 – 2029
	\$ 109	

⁽¹⁾ As of December 31, 2014, we had a full valuation allowance against our U.S. operations net deferred income tax assets.

Our U.S. federal net operating loss carryforwards are subject to the U.S. Internal Revenue Code of 1986, as amended § 382 (“IRC § 382”) limitation, resulting from a previous ownership change. We do not expect that IRC § 382 would limit the utilization of our available U.S. federal net operating loss carryforwards prior to their expiration.

We consider our foreign earnings to be permanently invested. Accordingly, we do not currently provide for the additional United States and foreign income taxes that would become payable upon remittance of undistributed earnings of foreign subsidiaries. The cumulative undistributed earnings of these subsidiaries as of December 31, 2014 are not material. It is not practicable to estimate the income tax liability that might be incurred if such earnings were remitted to the U.S.

Unrecognized tax benefits

The following table summarizes the activity related to our gross unrecognized tax benefits for the years ended December 31, 2014 and 2013:

<i>(In millions)</i>	2014	2013
Beginning of year	\$ 81	\$ 84
(Decrease) increase in unrecognized tax benefits resulting from:		
Positions taken in a prior period	—	(1)
Positions taken in the current period	38	4
Settlements with taxing authorities	(4)	—
Change in Canadian foreign exchange rate	(6)	(6)
End of year	\$ 109	\$ 81

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We recognize interest and penalties accrued on unrecognized tax benefits as components of the income tax provision. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$68 million.

In the normal course of business, we are subject to audits from federal, state, provincial and other tax authorities. U.S. federal tax returns for 2011 and future years, as well as Canadian tax returns for 2009 and future years remain subject to examination by tax authorities.

We do not expect a significant change to the amount of unrecognized tax benefits over the next twelve months. However, any adjustments arising from certain ongoing examinations by taxing authorities could alter the timing or amount of taxable income or deductions, or the allocation of income among tax jurisdictions, and these adjustments could differ from the amount accrued. We believe that taxes accrued in our Consolidated Balance Sheets fairly represent the amount of income taxes to be settled or realized in the future.

Note 16. Commitments and Contingencies

Legal matters

We become involved in various legal proceedings and other disputes in the normal course of business, including matters related to contracts, commercial disputes, taxes, environmental issues, activists damages, employment and workers' compensation claims, Aboriginal claims and other matters. Although the final outcome is subject to many variables and cannot be predicted with any degree of certainty, we regularly assess the status of the matters and establish provisions (including legal costs expected to be incurred) when we believe an adverse outcome is probable, and the amount can be reasonably estimated. Except as described below and for claims that cannot be assessed due to their preliminary nature, we believe that the ultimate disposition of these matters outstanding or pending as of December 31, 2014, will not have a material adverse effect on our consolidated financial statements.

Effective July 31, 2012, we completed the final step of the transaction pursuant to which we acquired the remaining 25.4% of the outstanding Fibrek shares, following the approval of Fibrek's shareholders on July 23, 2012, and the issuance of a final order of the Québec Superior Court in Canada approving the arrangement on July 27, 2012. Certain former shareholders of Fibrek exercised (or purported to exercise) rights of dissent in respect of the transaction, asking for a judicial determination of the fair value of their claim under the *Canada Business Corporations Act*. No consideration has to date been paid to the former Fibrek shareholders who exercised (or purported to exercise) rights of dissent. Any such consideration will only be paid out upon settlement or judicial determination of the fair value of their claims and will be paid entirely in cash. Accordingly, we cannot presently determine the amount that ultimately will be paid to former holders of Fibrek shares in connection with the proceedings, but we have accrued approximately Cdn \$14 million (\$12 million, based on the exchange rate in effect on December 31, 2014) for the eventual payment of those claims.

On June 12, 2012, we filed a motion for directives with the Québec Superior Court in Canada, the court with the jurisdiction in the CCAA Creditor Protection Proceedings, seeking an order to prevent pension regulators in each of Québec, New Brunswick, and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former operations in New Brunswick, and Newfoundland and Labrador, or a declaration that any claim for accelerated reimbursements of deficits arising from a partial wind-up is a barred claim under the CCAA Creditor Protection Proceedings. These plans are subject to the funding relief regulations described in Note 14, "Pension and Other Postretirement Benefit Plans - Canadian pension funding," and we contend, among other things, that any such declaration, if issued, would be inconsistent with the Québec Superior Court in Canada's sanction order confirming the CCAA Reorganization Plan and the terms of our emergence from the CCAA Creditor Protection Proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans, which could reach up to Cdn \$150 million (\$130 million based on the exchange rate in effect on December 31, 2014), would have to be funded if we do not obtain the relief sought. No hearing date has been set to date.

Environmental matters

We are subject to a variety of federal, state, provincial and local environmental laws and regulations in the jurisdictions in which we operate. We believe our operations are in material compliance with current applicable environmental laws and regulations. Environmental regulations promulgated in the future could require substantial additional expenditures for compliance and could have a material impact on us, in particular, and the industry in general.

We may be a "potentially responsible party" with respect to four hazardous waste sites that are being addressed pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("Superfund") or the Resource Conservation and Recovery Act ("RCRA") corrective action authority. We believe we will not be liable for any significant amounts at any of these sites.

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We have recorded \$18 million and \$9 million of environmental liabilities as of December 31, 2014 and 2013, respectively. The increase in 2014 is mostly related to the permanent closure of our Laurentide and Iroquois Falls paper mills. The amount of these liabilities represents management's estimate based on an assessment of relevant factors and assumptions of the ultimate settlement and could be affected by changes in facts or assumptions not currently known to management for which the outcome cannot be reasonably estimated at this time. These liabilities are included in "Accounts payable and accrued liabilities" or "Other long-term liabilities" in our Consolidated Balance Sheets.

We have also recorded \$22 million and \$17 million of asset retirement obligations as of December 31, 2014 and 2013, respectively, primarily consisting of liabilities for landfills, sludge basins and decontamination of closed sites. These liabilities are included in "Accounts payable and accrued liabilities" or "Other long-term liabilities" in our Consolidated Balance Sheets.

Other matters

On October 30, 2014, we received a notice from the Ministry of Natural Resources and Forestry of Ontario (the "MNRF") directing us to repay a conditional incentive of Cdn \$23 million (\$20 million based on the exchange rate in effect on December 31, 2014) offered in 2007 toward the construction of an electricity-producing turbine, should we fail to restart our Fort Frances pulp and paper mill or otherwise implement an alternative remedy that is acceptable to the MNRF by December 2, 2014 (the "remedy date"). On December 22, 2014, the MNRF extended the remedy date to May 1, 2015. We announced the permanent closure of the mill in the second quarter of 2014 and have been exploring a number of opportunities for the mill. We are not presently able to determine the outcome of this process, but we currently believe that we could reach an acceptable outcome for the MNRF within the time limit prescribed. Accordingly, we have recorded no contingent liability in respect of this notice in our Consolidated Balance Sheet as of December 31, 2014.

Other representations, warranties and indemnifications

In the normal course of our business, we make representations and warranties, and offer indemnities to counterparties in connection with commercial transactions such as asset sales and other commercial agreements. Indemnification obligations generally are related to contingencies that are not expected to occur at the time of the agreement. We cannot predict with any degree of certainty the potential maximum exposure in respect of these indemnification obligations as the amounts are contingent upon the outcome of future events, the nature and likelihood of which cannot be reasonably estimated at this time. Accordingly, we have recognized no material liabilities in this respect in our consolidated financial statements.

Note 17. Share Capital

Overview

We are authorized under our certificate of incorporation, as amended and restated, to issue up to 200 million shares of capital stock, consisting of: (i) 190 million shares of common stock, par value \$0.001 per share and (ii) 10 million shares of preferred stock, par value \$0.001 per share.

Preferred stock

As of December 31, 2014 and 2013, no preferred shares were issued and outstanding.

Common stock

In 2010 and pursuant to the Plans of Reorganization, we issued an aggregate of 97,134,954 shares of common stock for the benefit of unsecured creditors of the Debtors in the Creditor Protection Proceedings and also reserved 9,020,960 shares for issuance under the predecessor to the Rolute Forest Products Equity Incentive Plan (as amended, the "Incentive Plan").

As of December 31, 2012, 93,117,807 shares of common stock had been distributed to the holders of unsecured claims as of the applicable distribution record date under the Plans of Reorganization on account of allowed unsecured creditor claims. During the year ended December 31, 2013, an additional 3,693,601 shares of common stock had been distributed to the holders of unsecured claims from the share reserve established for disputed claims, leaving no remaining unresolved claim.

Because the aggregate of allowed claims against certain Chapter 11 Debtors was resolved for less than was originally reserved when the disputed claim share reserve was established, and because certain of the CCAA Debtors had no creditor, the remaining 276,662 shares and 46,884 shares, respectively, unallocated under the respective Plan of Reorganization were transferred to us in 2013 and accounted as treasury stock. The Debtors' Chapter 11 cases are closed; the CCAA proceedings have yet to be closed as the monitor is continuing to assist in certain post-emergence court proceedings.

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Consistent with the confirmation order in respect of our Chapter 11 Reorganization Plan and applicable law, we relied on section 1145(a)(1) of Chapter 11 to exempt the issuance of these shares of common stock and their distribution to unsecured creditors from the registration requirements of the Securities Act of 1933 (as amended, the “Securities Act”).

Treasury stock

On May 22, 2012, our board of directors approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to \$100 million. During the year ended December 31, 2012, we repurchased 5,610,152 shares at a cost of \$67 million. We did not repurchase shares since then.

On July 31, 2012, we distributed 503,054 shares from treasury as part of the consideration in the final step of the transaction to acquire the remaining non-controlling interest in Fibrek. For additional information, see Note 3, “Acquisition of Fibrek Inc.”

In 2013, we also transferred 323,546 shares of common stock from the disputed share reserve, as described above.

Dividends

We did not declare or pay any dividends on our common stock during the years ended December 31, 2014, 2013 and 2012.

Note 18. Share-Based Compensation

Overview

The Incentive Plan, which became effective in 2010 and is administered by the human resources and compensation/nominating and governance committee of the board of directors, provides for the grant of equity-based awards, including stock options, stock appreciation rights, restricted stock, RSUs, DSUs, PSUs (collectively, “stock incentive awards”) and cash incentive awards to certain of our officers, directors, employees, consultants and advisors. As discussed in Note 17, “Share Capital,” we have been authorized to issue stock incentive awards for up to 9 million shares under the Incentive Plan.

In 2011, the board of directors adopted the Resolute Forest Products Outside Director Deferred Compensation Plan (the “Deferred Compensation Plan”), which allows non-employee directors to surrender 50% or 100% of their cash fees in exchange for DSUs or RSUs, as applicable based on the director’s country of residency. The number of awards issued pursuant to the Deferred Compensation Plan is based on 110% of the fees earned, resulting in a 10% premium incentive.

As of December 31, 2014 and 2013, all of our outstanding stock incentive awards pursuant to the Incentive Plan were accounted for as equity-classified, service-based awards and all of our outstanding stock incentive awards pursuant to the Deferred Compensation Plan were accounted for as liability awards. As of December 31, 2014, approximately 5.5 million shares were available for issuance under the Incentive Plan.

For the years ended December 31, 2014, 2013 and 2012, share-based compensation expense was \$6 million (no tax benefit), \$8 million (no tax benefit) and \$5 million (\$1 million of tax benefit), respectively. As of December 31, 2014, there was approximately \$18 million of unrecognized compensation cost, which is expected to be recognized over a remaining service period of 2.9 years.

Retirement eligibility period

Employees who retire (upon meeting certain age and service criteria) at least six months after the grant date and prior to the end of the four-year vesting period will be allowed to continue vesting in their awards after retirement in accordance with the normal vesting schedule. The requisite service periods for the stock incentive awards are reduced on an individual basis, as necessary, to reflect the grantee’s individual retirement eligibility date (“the retirement eligibility period”).

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Stock options

In 2014, we did not grant any stock options. In 2013 and 2012, we made grants of 692,759 and 785,885 stock options, respectively, to our non-employee directors and to certain employees using the following weighted-average assumptions:

	2013	2012
Exercise price	\$ 15.66	\$ 11.41
Fair value	\$ 7.65	\$ 5.59
Expected dividend yield	—	—
Expected volatility	50.0%	50.6%
Risk-free interest rate	1.8%	1.6%
Expected life in years	6.25	6.25

The stock options become exercisable ratably over a period of four years, or the retirement eligibility period, whichever is shorter, and, unless terminated earlier in accordance with their terms, expire 10 years from the date of grant. New shares of our common stock are issued upon the exercise of a stock option. In certain cases, we withhold shares in respect of option costs and applicable taxes.

We calculated the grant-date fair value of the stock options using the Black-Scholes option pricing model. The payment of dividends is subject to certain restrictions under the 2023 Notes indenture and the credit agreement that governs the ABL Credit Facility; therefore, we assumed an expected dividend yield of zero. Due to the short trading history of our common stock, we estimated the expected volatility based on the historical volatility of a peer group within our industry measured over a term approximating the expected life of the options. We estimated the risk-free interest rate based on a zero-coupon U.S. Treasury instrument with a remaining term approximating the expected life of the options. Historical exercise data attributable to stock incentive awards granted after our common stock began publicly trading is limited; therefore, we used the simplified method permitted by Staff Accounting Bulletin Topic 14 to estimate the expected life of the options. Under this approach, the expected life is presumed to be the midpoint between the vesting date and the end of the contractual term.

The activity of stock options for the year ended December 31, 2014 was as follows:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2013	2,029,303	\$ 15.56	8.7	\$ —
Exercised	(399,356)	14.01		
Forfeited / expired	(46,006)	18.12		
Outstanding as of December 31, 2014	1,583,941	\$ 15.87	7.8	\$ 4
Exercisable as of December 31, 2014	656,959	\$ 18.16	7.0	\$ 1

The total intrinsic value of stock options exercised in 2014 was \$2 million.

Restricted stock units and deferred stock units

In 2014 and 2013, we made grants of RSUs and DSUs to certain employees and to our non-employee directors pursuant to the Incentive Plan and the Deferred Compensation Plan, respectively.

Under the Incentive Plan, each RSU and DSU provides the holder the right to receive one share of our common stock upon vesting. The awards vest ratably over a period of one year for directors and four years for employees, or over the retirement eligibility period, whichever is shorter. Awards to employees are settled with shares of stock upon vesting, while awards to directors are settled with shares of stock ratably over a period of three years or upon separation from the board of directors, as applicable, based on the director's country of residency. New shares of our common stock are issued upon the settlement of a RSU or DSU issued. In certain cases, we withhold shares in respect of applicable taxes.

Under the Deferred Compensation Plan, each RSU and DSU provides the holder the right to receive payment in cash in an amount equal to the fair market value of one share of our common stock upon vesting. The awards have a nonforfeitable right or vest ratably over a period of three years, as applicable, and are settled with cash ratably over a period of three years or upon separation from the board of directors, as applicable, based on the director's country of residency.

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The activity of RSUs and DSUs for the year ended December 31, 2014 was as follows:

	Number of Units	Weighted- Average Fair Value at Grant Date
Outstanding as of December 31, 2013	960,451	\$ 15.13
Granted ⁽¹⁾	411,791	18.62
Vested and settled ⁽²⁾	(304,997)	14.65
Forfeited	(26,826)	13.46
Outstanding as of December 31, 2014 ⁽³⁾	1,040,419	\$ 16.69

⁽¹⁾ Includes 17,064 DSUs to non-employee directors pursuant to the Deferred Compensation Plan.

⁽²⁾ Includes 9,653 awards that vested prior to 2014, but settled in 2014.

⁽³⁾ Includes 80,844 vested awards that have not been settled, of which 46,955 awards are DSUs to non-employee directors pursuant to the Deferred Compensation Plan.

The weighted-average grant-date fair value of all RSUs and DSUs granted in 2013 and 2012 was \$16.15 and \$11.66, respectively. The total fair value of RSUs and DSUs vested in 2014, 2013 and 2012 was \$5 million, \$3 million and \$1 million, respectively.

Performance stock units

In 2014, we made grants of PSUs to certain employees pursuant to the Incentive Plan. Each PSU provides the holder the right to receive one share of our common stock as of the settlement date, subject to vesting and a performance adjustment. The awards vest after a period of 40 months. New shares of our common stock are issued upon the settlement of a PSU issued pursuant to the Incentive Plan. We withhold shares in respect of applicable taxes.

The activity of PSUs for the year ended December 31, 2014 was as follows:

	Number of Units	Weighted- Average Fair Value at Grant Date
Outstanding as of December 31, 2013	—	\$ —
Granted	296,443	18.61
Forfeited	(1,682)	18.61
Outstanding as of December 31, 2014	294,761	\$ 18.61

Note 19. Operating Leases and Purchase Obligations

We lease office premises, office equipment and transportation equipment under operating leases for which total expense was \$7 million in 2014, \$12 million in 2013 and \$13 million in 2012. In the normal course of business, we have also entered into various supply agreements, guarantees, purchase commitments and harvesting rights agreements (for land that we manage for which we make payments to various Canadian provinces based on the amount of timber harvested).

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As of December 31, 2014, the future minimum rental payments under operating leases and commitments for purchase obligations were as follows:

<i>(In millions)</i>	Purchase Obligations ⁽¹⁾	Operating Leases
2015	\$ 155	\$ 3
2016	119	3
2017	96	3
2018	69	3
2019	34	2
Thereafter	56	6
	\$ 529	\$ 20

⁽¹⁾ Includes energy purchase obligations of \$296 million through 2026 for certain of our pulp and paper mills.

Note 20. Segment Information

We manage our business based on the products we manufacture. Accordingly, our reportable segments correspond to our principal product lines: newsprint, specialty papers, market pulp and wood products.

None of the income or loss items following “Operating loss” in our Consolidated Statements of Operations are allocated to our segments, since those items are reviewed separately by management. For the same reason, closure costs, impairment and other related charges, severance costs, inventory write-downs related to closures, start-up costs, net gain on disposition of assets, transaction costs, as well as other discretionary charges or credits are not allocated to our segments. We allocate depreciation and amortization expense to our segments, although the related fixed assets and amortizable intangible assets are not allocated to segment assets. Additionally, all selling, general and administrative expenses, excluding severance costs and certain discretionary charges and credits, are allocated to our segments.

In each of 2014, 2013 and 2012, no assets were identifiable by segment and reviewed by management. All assets were therefore included in Corporate and other.

Information about certain segment data for the years ended December 31, 2014, 2013 and 2012 was as follows:

<i>(In millions)</i>	Newsprint	Specialty Papers	Market Pulp ⁽¹⁾	Wood Products	Corporate and Other	Consolidated Total
Sales						
2014	\$ 1,402	\$ 1,272	\$ 974	\$ 610	\$ —	\$ 4,258
2013	1,473	1,366	1,053	569	—	4,461
2012	1,627	1,562	814	500	—	4,503
Depreciation and amortization						
2014	\$ 69	\$ 82	\$ 53	\$ 33	\$ 6	\$ 243
2013	73	77	52	36	5	243
2012	72	83	44	34	—	233
Operating income (loss) ⁽²⁾						
2014	\$ 23	\$ (17)	\$ 66	\$ 69	\$ (315)	\$ (174)
2013	40	35	42	41	(160)	(2)
2012	97	85	(43)	26	(193)	(28)
Capital expenditures						
2014	\$ 39	\$ 34	\$ 23	\$ 77	\$ 20	\$ 193
2013	57	17	40	31	16	161
2012	58	22	40	22	27	169

⁽¹⁾ For the years ended December 31, 2014, 2013 and 2012, market pulp sales excluded inter-segment sales of \$19 million, \$17 million and \$36 million, respectively.

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(2) Corporate and other operating loss for the years ended December 31, 2014, 2013 and 2012 included the following significant items:

<i>(In millions)</i>	2014	2013	2012
Net gain on disposition of assets	\$ 2	\$ 2	\$ 35
Closure costs, impairment and other related charges	(278)	(89)	(185)
Inventory write-downs related to closures	(17)	(11)	(12)
Severance costs	—	—	(5)
Transaction costs	—	(6)	(8)
Start-up costs	(4)	(32)	(13)
	\$ (297)	\$ (136)	\$ (188)

Sales are attributed to countries based on the location of the customer. No single customer, related or otherwise, accounted for 10% or more of our 2014, 2013 or 2012 consolidated sales. No country in the “Other countries” group in the table below exceeded 2% of consolidated sales. Sales by country for the years ended December 31, 2014, 2013 and 2012 were as follows:

<i>(In millions)</i>	2014	2013	2012
United States	\$ 2,809	\$ 2,834	\$ 2,766
Foreign countries:			
Canada	540	546	636
Mexico	174	168	140
Brazil	107	122	154
Italy	51	85	105
Other countries	577	706	702
	1,449	1,627	1,737
	\$ 4,258	\$ 4,461	\$ 4,503

Long-lived assets by country (excluding deferred income tax assets) as of December 31, 2014 and 2013 were as follows:

<i>(In millions)</i>	2014	2013
United States	\$ 798	\$ 967
Foreign countries:		
Canada	1,346	1,564
South Korea	24	26
	1,370	1,590
	\$ 2,168	\$ 2,557

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Note 21. Condensed Consolidating Financial Information

The following information is presented in accordance with Rule 3-10 of Regulation S-X and the public information requirements of Rule 144 promulgated pursuant to the Securities Act in connection with Resolute Forest Products Inc.'s 2023 Notes that are fully and unconditionally guaranteed, on a joint and several basis, by all of our 100% owned material U.S. subsidiaries (the "Guarantor Subsidiaries"). The 2023 Notes are not guaranteed by our foreign subsidiaries and our less than 100% owned U.S. subsidiaries (the "Non-guarantor Subsidiaries").

The following condensed consolidating financial information sets forth the Statements of Operations and Comprehensive Loss for the years ended December 31, 2014, 2013 and 2012, the Balance Sheets as of December 31, 2014 and 2013, and the Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012 for the Parent, the Guarantor Subsidiaries on a combined basis, and the Non-guarantor Subsidiaries on a combined basis. The condensed consolidating financial information reflects the investments of the Parent in the Guarantor Subsidiaries and Non-guarantor Subsidiaries, as well as the investments of the Guarantor Subsidiaries in the Non-guarantor Subsidiaries, using the equity method of accounting. The principal consolidating adjustments are elimination entries to eliminate the investments in subsidiaries and intercompany balances and transactions.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
For the Year Ended December 31, 2014

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	\$ —	\$ 3,475	\$ 2,807	\$ (2,024)	\$ 4,258
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and distribution costs	—	3,225	2,036	(2,021)	3,240
Depreciation and amortization	—	94	149	—	243
Distribution costs	—	168	352	(2)	518
Selling, general and administrative expenses	17	46	92	—	155
Closure costs, impairment and other related charges	—	51	227	—	278
Net gain on disposition of assets	—	—	(2)	—	(2)
Operating loss	(17)	(109)	(47)	(1)	(174)
Interest expense	(71)	(4)	(8)	36	(47)
Other expense, net	(1)	(20)	(26)	(36)	(83)
Parent's equity in loss of subsidiaries	(188)	—	—	188	—
Loss before income taxes	(277)	(133)	(81)	187	(304)
Income tax benefit	—	2	27	1	30
Net loss including noncontrolling interests	(277)	(131)	(54)	188	(274)
Net income attributable to noncontrolling interests	—	—	(3)	—	(3)
Net loss attributable to Resolute Forest Products Inc.	\$ (277)	\$ (131)	\$ (57)	\$ 188	\$ (277)
Comprehensive loss attributable to Resolute Forest Products Inc.	\$ (724)	\$ (250)	\$ (385)	\$ 635	\$ (724)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
For the Year Ended December 31, 2013

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	\$ —	\$ 3,674	\$ 2,956	\$ (2,169)	\$ 4,461
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and distribution costs	—	3,356	2,247	(2,157)	3,446
Depreciation and amortization	—	100	143	—	243
Distribution costs	—	172	357	(8)	521
Selling, general and administrative expenses	18	47	101	—	166
Closure costs, impairment and other related charges	—	61	28	—	89
Net gain on disposition of assets	—	—	(2)	—	(2)
Operating (loss) income	(18)	(62)	82	(4)	(2)
Interest expense	(89)	(4)	(8)	50	(51)
Other (expense) income, net	(60)	66	(18)	(50)	(62)
Parent's equity in loss of subsidiaries	(472)	—	—	472	—
(Loss) income before income taxes	(639)	—	56	468	(115)
Income tax provision	—	(564)	(21)	61	(524)
Net (loss) income including noncontrolling interests	(639)	(564)	35	529	(639)
Net income attributable to noncontrolling interests	—	—	—	—	—
Net (loss) income attributable to Resolute Forest Products Inc.	\$ (639)	\$ (564)	\$ 35	\$ 529	\$ (639)
Comprehensive (loss) income attributable to Resolute Forest Products Inc.	\$ (296)	\$ (346)	\$ 217	\$ 129	\$ (296)

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
For the Year Ended December 31, 2012

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	\$ —	\$ 3,139	\$ 2,894	\$ (1,530)	\$ 4,503
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and distribution costs	—	2,774	2,228	(1,517)	3,485
Depreciation and amortization	—	93	140	—	233
Distribution costs	—	162	361	(9)	514
Selling, general and administrative expenses	18	56	75	—	149
Closure costs, impairment and other related charges	—	12	173	—	185
Net gain on disposition of assets	—	—	(35)	—	(35)
Operating (loss) income	(18)	42	(48)	(4)	(28)
Interest expense	(214)	(13)	(8)	169	(66)
Other income, net	2	171	18	(169)	22
Parent's equity in income of subsidiaries	147	—	—	(147)	—
(Loss) income before income taxes	(83)	200	(38)	(151)	(72)
Income tax benefit (provision)	84	(69)	23	1	39
Net income (loss) including noncontrolling interests	1	131	(15)	(150)	(33)
Net loss attributable to noncontrolling interests	—	—	34	—	34
Net income attributable to Resolute Forest Products Inc.	\$ 1	\$ 131	\$ 19	\$ (150)	\$ 1
Comprehensive (loss) income attributable to Resolute Forest Products Inc.	\$ (318)	\$ 69	\$ (238)	\$ 169	\$ (318)

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2014

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 257	\$ 80	\$ —	\$ 337
Accounts receivable, net	—	383	156	—	539
Accounts receivable from affiliates	—	384	95	(479)	—
Inventories, net	—	251	300	(9)	542
Deferred income tax assets	—	—	70	—	70
Note and interest receivable from parent	—	287	—	(287)	—
Notes receivable from affiliates	—	318	—	(318)	—
Other current assets	—	20	26	—	46
Total current assets	—	1,900	727	(1,093)	1,534
Fixed assets, net	—	742	1,243	—	1,985
Amortizable intangible assets, net	—	—	62	—	62
Deferred income tax assets	—	—	1,217	2	1,219
Note receivable from parent	—	388	—	(388)	—
Investments in consolidated subsidiaries and affiliates	4,096	2,020	—	(6,116)	—
Other assets	7	49	65	—	121
Total assets	\$ 4,103	\$ 5,099	\$ 3,314	\$ (7,595)	\$ 4,921
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 5	\$ 193	\$ 320	\$ —	\$ 518
Current portion of long-term debt	—	1	—	—	1
Accounts payable to affiliates	386	93	—	(479)	—
Note and interest payable to subsidiary	287	—	—	(287)	—
Notes payable to affiliates	—	—	318	(318)	—
Total current liabilities	678	287	638	(1,084)	519
Long-term debt, net of current portion	595	1	—	—	596
Note payable to subsidiary	388	—	—	(388)	—
Pension and other postretirement benefit obligations	—	414	1,202	—	1,616
Deferred income tax liabilities	—	—	3	—	3
Other long-term liabilities	1	29	40	—	70
Total liabilities	1,662	731	1,883	(1,472)	2,804
Total equity	2,441	4,368	1,431	(6,123)	2,117
Total liabilities and equity	\$ 4,103	\$ 5,099	\$ 3,314	\$ (7,595)	\$ 4,921

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2013

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ —	\$ 165	\$ 157	\$ —	\$ 322
Accounts receivable, net	—	433	201	—	634
Accounts receivable from affiliates	—	335	135	(470)	—
Inventories, net	—	211	326	(8)	529
Deferred income tax assets	—	—	32	—	32
Interest receivable from parent	—	14	—	(14)	—
Note receivable from affiliate	—	350	—	(350)	—
Note receivable from subsidiary	13	—	—	(13)	—
Other current assets	—	18	27	—	45
Total current assets	13	1,526	878	(855)	1,562
Fixed assets, net	—	847	1,442	—	2,289
Amortizable intangible assets, net	—	—	66	—	66
Deferred income tax assets	—	28	1,236	2	1,266
Notes receivable from parent	—	627	—	(627)	—
Notes receivable from affiliates	—	170	—	(170)	—
Investments in consolidated subsidiaries and affiliates	4,734	2,085	—	(6,819)	—
Other assets	8	112	82	—	202
Total assets	\$ 4,755	\$ 5,395	\$ 3,704	\$ (8,469)	\$ 5,385
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 5	\$ 190	\$ 338	\$ —	\$ 533
Current portion of long-term debt	—	1	1	—	2
Accounts payable to affiliates	352	118	—	(470)	—
Deferred income tax liabilities	—	32	—	—	32
Interest payable to subsidiaries	14	—	—	(14)	—
Note payable to affiliate	—	—	350	(350)	—
Note payable to parent	—	—	13	(13)	—
Total current liabilities	371	341	702	(847)	567
Long-term debt, net of current portion	595	2	—	—	597
Notes payable to subsidiaries	627	—	—	(627)	—
Notes payable to affiliate	—	—	170	(170)	—
Pension and other postretirement benefit obligations	—	340	954	—	1,294
Deferred income tax liabilities	—	1	25	—	26
Other long-term liabilities	—	26	36	—	62
Total liabilities	1,593	710	1,887	(1,644)	2,546
Total equity	3,162	4,685	1,817	(6,825)	2,839
Total liabilities and equity	\$ 4,755	\$ 5,395	\$ 3,704	\$ (8,469)	\$ 5,385

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	\$ —	\$ 144	\$ 42	\$ —	\$ 186
Cash flows from investing activities:					
Cash invested in fixed assets	—	(76)	(117)	—	(193)
Monetization of timber notes	—	22	—	—	22
Disposition of assets	—	4	6	—	10
Decrease in restricted cash	—	—	1	—	1
Decrease in deposit requirements for letters of credit, net	—	—	1	—	1
Other investing activities, net	—	—	(2)	—	(2)
Net cash used in investing activities	—	(50)	(111)	—	(161)
Cash flows from financing activities:					
Dividend to noncontrolling interest	—	—	(4)	—	(4)
Payments of debt	—	(1)	(1)	—	(2)
Payments of financing and credit facility fees	—	(1)	—	—	(1)
Contribution of capital from noncontrolling interest	—	—	—	—	—
Net cash used in financing activities	—	(2)	(5)	—	(7)
Effect of exchange rate changes on cash and cash equivalents	—	—	(3)	—	(3)
Net increase (decrease) in cash and cash equivalents	—	92	(77)	—	15
Cash and cash equivalents:					
Beginning of year	—	165	157	—	322
End of year	\$ —	\$ 257	\$ 80	\$ —	\$ 337

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	\$ (5)	\$ 41	\$ 170	\$ —	\$ 206
Cash flows from investing activities:					
Cash invested in fixed assets	—	(55)	(106)	—	(161)
Disposition of assets	—	—	4	—	4
Proceeds from insurance settlements	—	—	4	—	4
Decrease in restricted cash	—	—	8	—	8
Increase in deposit requirements for letters of credit, net	—	—	(2)	—	(2)
Other investing activities, net	—	—	(4)	—	(4)
Net cash used in investing activities	—	(55)	(96)	—	(151)
Cash flows from financing activities:					
Issuance of long-term debt	594	—	—	—	594
Premium paid on extinguishment of debt	(84)	—	—	—	(84)
Dividend to noncontrolling interest	—	—	(2)	—	(2)
Payments of debt	(501)	—	(2)	—	(503)
Payments of financing and credit facility fees	(9)	—	—	—	(9)
Contribution of capital from noncontrolling interest	—	8	—	—	8
Net cash provided by (used in) financing activities	—	8	(4)	—	4
Net (decrease) increase in cash and cash equivalents	(5)	(6)	70	—	59
Cash and cash equivalents:					
Beginning of year	5	171	87	—	263
End of year	\$ —	\$ 165	\$ 157	\$ —	\$ 322

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

<i>(In millions)</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	\$ —	\$ 249	\$ 17	\$ —	\$ 266
Cash flows from investing activities:					
Cash invested in fixed assets	—	(42)	(127)	—	(169)
Disposition of our interest in our Mersey operations, net of cash	—	—	14	—	14
Disposition of other assets	—	1	35	—	36
Acquisition of Fibrek, net of cash acquired	—	—	(24)	—	(24)
Decrease in restricted cash	—	—	76	—	76
Increase in deposit requirements for letters of credit, net	—	—	(12)	—	(12)
Advances from (to) affiliates	72	(56)	(16)	—	—
Other investing activities, net	—	—	4	—	4
Net cash provided by (used in) investing activities	72	(97)	(50)	—	(75)
Cash flows from financing activities:					
Purchases of treasury stock	(67)	—	—	—	(67)
Dividends to noncontrolling interests	—	—	(5)	—	(5)
Acquisition of noncontrolling interest	—	—	(27)	—	(27)
Payments of debt	—	(109)	(89)	—	(198)
Net cash used in financing activities	(67)	(109)	(121)	—	(297)
Net increase (decrease) in cash and cash equivalents	5	43	(154)	—	(106)
Cash and cash equivalents:					
Beginning of year	—	128	241	—	369
End of year	\$ 5	\$ 171	\$ 87	\$ —	\$ 263

RESOLUTE FOREST PRODUCTS INC.
Notes to Consolidated Financial Statements

Note 22. Quarterly Information (Unaudited)

Year ended December 31, 2014 <i>(In millions, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	\$ 1,016	\$ 1,091	\$ 1,096	\$ 1,055	\$ 4,258
Operating loss ⁽¹⁾	(33)	(8)	(40)	(93)	(174)
Net loss attributable to Resolute Forest Products Inc.	(50)	(2)	(116)	(109)	(277)
Basic net loss per share attributable to Resolute Forest Products Inc. common shareholders	(0.53)	(0.02)	(1.23)	(1.15)	(2.93)
Diluted net loss per share attributable to Resolute Forest Products Inc. common shareholders	(0.53)	(0.02)	(1.23)	(1.15)	(2.93)

Year ended December 31, 2013 <i>(In millions, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	\$ 1,074	\$ 1,107	\$ 1,130	\$ 1,150	\$ 4,461
Operating (loss) income ⁽²⁾	(49)	3	36	8	(2)
Net loss attributable to Resolute Forest Products Inc.	(5)	(43)	(588)	(3)	(639)
Basic net loss per share attributable to Resolute Forest Products Inc. common shareholders	(0.05)	(0.45)	(6.22)	(0.03)	(6.75)
Diluted net loss per share attributable to Resolute Forest Products Inc. common shareholders	(0.05)	(0.45)	(6.22)	(0.03)	(6.75)

⁽¹⁾ Operating loss for the year ended December 31, 2014 included the following significant items:

<i>(In millions)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net gain on disposition of assets	\$ —	\$ 2	\$ —	\$ —	\$ 2
Closure costs, impairment and other related charges	(10)	(52)	(85)	(131)	(278)
Inventory write-downs related to closures	(1)	(3)	(6)	(7)	(17)
Start-up costs	—	(1)	(1)	(2)	(4)
	\$ (11)	\$ (54)	\$ (92)	\$ (140)	\$ (297)

⁽²⁾ Operating loss for the year ended December 31, 2013 included the following significant items:

<i>(In millions)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net gain on disposition of assets	\$ —	\$ 2	\$ —	\$ —	\$ 2
Closure costs, impairment and other related charges	(40)	(12)	(4)	(33)	(89)
Inventory write-downs related to closures	(4)	(1)	—	(6)	(11)
Transaction costs	(3)	(2)	—	(1)	(6)
Start-up costs	(15)	(13)	(3)	(1)	(32)
	\$ (62)	\$ (26)	\$ (7)	\$ (41)	\$ (136)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders of Resolute Forest Products Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows present fairly, in all material respects, the financial position of Resolute Forest Products Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under item 15(a)(2) which includes the parent company only condensed balance sheets at December 31, 2014 and December 31, 2013 and the related condensed statements of operations and comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2014 present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Financial Statements and Assessment of Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP ⁽¹⁾

Montreal, Canada

March 2, 2015

⁽¹⁾ CPA auditor, CA, public accountancy permit No.A113048

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS AND ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Financial Statements

Management of Resolute Forest Products Inc. is responsible for the preparation of the financial information included in this Form 10-K. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include amounts that are based on the best estimates and judgments of management.

Assessment of Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Resolute Forest Products Inc.'s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Resolute Forest Products Inc.;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles;
- provide reasonable assurance that receipts and expenditures of Resolute Forest Products Inc. are being made only in accordance with the authorizations of management and directors of Resolute Forest Products Inc.; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Resolute Forest Products Inc.'s internal control over financial reporting as of December 31, 2014. Management based this assessment on the criteria for effective internal control over financial reporting described in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of Resolute Forest Products Inc.'s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management determined that, as of December 31, 2014, Resolute Forest Products Inc.'s internal control over financial reporting was effective.

The effectiveness of Resolute Forest Products Inc.'s internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report above.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2014. Based on that evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date in recording, processing, summarizing and timely reporting information required to be disclosed in our reports to the Securities and Exchange Commission.

Management's Report on Internal Control over Financial Reporting

Management has issued its report on internal control over financial reporting, which included management's assessment that the Company's internal control over financial reporting was effective as of December 31, 2014. Management's report on internal control over financial reporting can be found on page 118 of this Form 10-K. Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an attestation report on the effectiveness of internal control over financial reporting as of December 31, 2014. This report can be found on page 117 of this Form 10-K.

Changes in Internal Control over Financial Reporting

In connection with the evaluation of internal control over financial reporting, there were no changes during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information appearing under the captions entitled "Vote on the Election of Directors," "Section 16 Beneficial Ownership Reporting Compliance," and "Corporate Governance and Board Matters" in our definitive proxy statement for our 2015 annual meeting of shareholders to be held on May 29, 2015 (our "2015 proxy statement"), which will be filed within 120 days of the end of our fiscal year ended December 31, 2014 is incorporated herein by reference.

Information regarding our executive officers is presented in Part I, Item 1, Business, of this Form 10-K under the caption "Executive Officers."

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer and principal accounting officer. This code of ethics (which is entitled "Code of Business Conduct") and our corporate governance policies are posted on our website at www.resolutefp.com. We intend to satisfy disclosure requirements regarding amendments to or waivers from our code of ethics by posting such information on this website. The charters of the Audit Committee and the Human Resources and Compensation/Nominating and Governance Committee of our Board of Directors are available on our website as well. This information is also available in print free of charge to any person who requests it.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under the captions entitled "Executive Compensation," "Corporate Governance and Board Matters - Director Compensation" and "Compensation Committee Interlocks and Insider Participation" in our 2015 proxy statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information appearing under the caption entitled “Information on Stock Ownership” in our 2015 proxy statement is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2014 regarding securities to be issued upon exercise of outstanding stock options or pursuant to outstanding restricted stock units, deferred stock units and performance stock units, and securities remaining available for issuance under our equity compensation plan. The Resolute Forest Products Equity Incentive Plan is the only compensation plan with shares authorized.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	—	\$ —	—
Equity compensation plans not approved by security holders ⁽¹⁾	3,016,634 ⁽²⁾	15.87 ⁽³⁾	5,530,735
Total	3,016,634	\$ 15.87	5,530,735

- (1) The Resolute Forest Products Equity Incentive Plan was approved by the Courts pursuant to the Plans of Reorganization.
- (2) Includes shares issuable upon the exercise of 1,583,941 stock options and shares issuable upon the settlement of 990,551 restricted stock units and deferred stock units issued under the Resolute Forest Products Equity Incentive Plan, at a rate of one share per unit. Also includes shares issuable upon the settlement of 294,761 performance stock units issued under the Resolute Forest Products Equity Incentive Plan at the maximum 150% payout rate (442,142 shares).
- (3) The weighted-average exercise price in column (b) represents the weighted-average exercise price of the outstanding stock options disclosed in column (a). The deferred stock units, restricted stock units and performance stock units do not have an exercise price and are not included in the calculation of the weighted-average exercise price in column (b).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information appearing under the captions entitled “Related Party Transactions” and “Corporate Governance and Board Matters - Director Independence” in our 2015 proxy statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information appearing under the caption entitled “Vote on the Ratification of the Appointment of PricewaterhouseCoopers LLP” in our 2015 proxy statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as a part of this Form 10-K:

(1) The following are included at the indicated page of this Form 10-K:

	Page
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012</u>	70
<u>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2014, 2013 and 2012</u>	71
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	72
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2014, 2013 and 2012</u>	73
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014 and 2013</u>	74
<u>Notes to Consolidated Financial Statements</u>	76
<u>Report of Independent Registered Public Accounting Firm</u>	117
<u>Management's Report on Financial Statements and Assessment of Internal Control over Financial Reporting</u>	118

(2) The following financial statement schedule for the years ended December 31, 2014, 2013 and 2012 is submitted:

<u>Schedule I – Resolute Forest Products Inc. Condensed Financial Statements and Notes</u>	F-1
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All other financial statement schedules are omitted because they are not applicable, not material or because the required information is included in the financial statements or notes.

(3) Exhibits (numbered in accordance with Item 601 of Regulation S-K):

<u>Exhibit No.</u>	<u>Description</u>
2.1*	Share Purchase Agreement, dated December 10, 2012, among The Province of Nova Scotia, Bowater Canadian Limited, The Daily Herald Company and Resolute Forest Products Inc. (incorporated by reference from Exhibit 2.1 to Resolute Forest Products Inc.'s Current Report on Form 8-K filed December 14, 2012, SEC File No. 001-33776).
3.1*	Amended and Restated Certificate of Incorporation of Resolute Forest Product Inc. (incorporated by reference from Exhibit 3.1 to Resolute Forest Product Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 filed March 1, 2013, SEC File No. 001-33776).
3.2*	By-laws of Resolute Forest Products Inc., as amended through December 4, 2014 (incorporated by reference from Exhibit 3.1 to Resolute Forest Products Inc.'s Current Report on Form 8-K filed on December 10, 2014).
4.1*	Indenture, dated as of May 8, 2013, among Resolute Forest Products Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee. (incorporated by reference from Exhibit 4.4 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
4.2*	Registration Rights Agreement, dated as of May 8, 2013, among Resolute Forest Products Inc., the guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative. (incorporated by reference from Exhibit 4.5 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
10.1*	ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., Bowater Incorporated, Abitibi-Consolidated Corp., Abitibi-Consolidated Inc., Barclays Bank PLC, JPMorgan Chase Bank, N.A., and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed December 15, 2010, SEC File No. 001-33776).

<u>Exhibit No.</u>	<u>Description</u>
10.2*	Securities Purchase Agreement, dated February 11, 2011, among AbiBow Canada Inc., Caisse de depot et placement du Québec and CDP Investissements Inc., as vendors, and Infra H2O GP Partners Inc., Infra H2O LP Partners Inc. and BluEarth Renewables Inc., as the purchaser (incorporated by reference from Exhibit 2.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed February 17, 2011, SEC File No. 001-33776).
†10.3*	AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan, effective as of December 9, 2010 (incorporated by reference from Exhibit 10.4 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
†10.4*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Restricted Stock Unit Agreement (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Registration Statement on Form S-8 filed January 7, 2011, SEC Registration No. 333-171602).
†10.5*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Director Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.3 to AbitibiBowater Inc.'s Registration Statement on Form S-8 filed January 7, 2011, SEC Registration No. 333-171602).
†10.6*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Employee Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.4 to AbitibiBowater Inc.'s Registration Statement on Form S-8 filed January 7, 2011, SEC Registration No. 333-171602).
†10.7*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement (incorporated by reference from Exhibit 10.13 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.8*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Employee Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.14 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.9*	AbitibiBowater Executive Restricted Stock Unit Plan, effective as of April 1, 2011 (incorporated by reference from Exhibit 10.13 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
†10.10*	Employment Agreement between Yves Laflamme and AbitibiBowater Inc., dated February 14, 2011 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Current Report on Form 8-K filed February 18, 2011, SEC File No. 001-33776).
†10.11*	Offer Letter between Jo-Ann Longworth and AbitibiBowater Inc., dated July 25, 2011 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed November 14, 2011, SEC File No. 001-33776).
†10.12*	Offer Letter between Pierre Laberge and AbitibiBowater Inc., dated June 9, 2011 (incorporated by reference from Exhibit 10.35 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.13*	Director compensation program chart (incorporated by reference from Exhibit 10.36 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.14*	Retirement Compensation Trust Agreement (with Letter of Credit) between AbiBow Canada Inc. and AbitibiBowater Inc. and CIBC Mellon Trust Company, dated and effective as of November 1, 2011 (incorporated by reference from Exhibit 10.39 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
10.15*	Agreement Concerning the Pulp and Paper Operations of AbiBow Canada in Ontario, dated November 10, 2010, between Bowater Canadian Forest Products Inc. and Abitibi-Consolidated Company of Canada and The Province of Ontario (incorporated by reference from Exhibit 10.32 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
10.16*	Agreement Concerning the Pulp and Paper Operations of AbiBow Canada in Québec, dated September 13, 2010, between Bowater Canadian Forest Products Inc. and Abitibi-Consolidated Company of Canada and The Government of Québec (incorporated by reference from Exhibit 10.33 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).

<u>Exhibit No.</u>	<u>Description</u>
10.17*	Amendment No. 1, dated as of April 28, 2011, to the ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., the subsidiaries of AbitibiBowater party thereto, the lenders party thereto from time to time and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 filed May 16, 2011, SEC File No. 001-33776).
10.18*	Amendment No. 2, dated October 28, 2011, to ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., AbiBow US Inc. (f/k/a Bowater Incorporated) and AbiBow Recycling LLC (f/k/a Abitibi-Consolidated Corp.) and AbiBow Canada Inc. (f/k/a Abitibi-Consolidated Inc.), and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed October 31, 2011, SEC File No. 001-33776).
10.19*	Lock-up Agreement between AbitibiBowater Inc. and Fairfax Financial Holdings Limited, dated as of November 28, 2011 (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed November 29, 2011, SEC File No. 001-33776).
10.20*	Lock-up Agreement between AbitibiBowater Inc. and Oakmont Capital Inc., dated as of November 28, 2011 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Current Report on Form 8-K filed November 29, 2011, SEC File No. 001-33776).
10.21*	Lock-up Agreement between AbitibiBowater Inc. and Dalal Street, LLC, dated as of November 28, 2011 (incorporated by reference from Exhibit 10.3 to AbitibiBowater Inc.'s Current Report on Form 8-K filed November 29, 2011, SEC File No. 001-33776).
†10.22*	Executive Employment Agreement between Resolute Forest Products Inc. and Richard Garneau, dated February 26, 2014 (incorporated by reference from Exhibit 10.24 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.23*	Change in Control Agreement between Resolute Forest Products Inc. and Richard Garneau, dated February 26, 2014 (incorporated by reference from Exhibit 10.25 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.24*	Offer Letter between John Lafave and AbitibiBowater Inc., dated February 14, 2011 (incorporated by reference from Exhibit 10.29 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
†10.25*	Offer Letter between Jacques Vachon and AbitibiBowater Inc., dated March 19, 2012 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed May 10, 2012, SEC File No. 001-33776).
†10.26*	Resolute Forest Products DC Make-up Program, effective January 1, 2012 (incorporated by reference from Exhibit 10.3 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed May 10, 2012, SEC File No. 001-33776).
10.27*	Waiver and Amendment No. 3, dated as of March 21, 2012, under and to the ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., the subsidiaries of AbitibiBowater party thereto, the lenders party thereto from time to time and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.4 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed May 10, 2012, SEC File No. 001-33776).
†10.28*	Resolute Forest Products Inc. Severance Policy – Chief Executive Officer and Direct Reports, effective as of August 1, 2012 (incorporated by reference from Exhibit 10.1 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed August 9, 2012, SEC File No. 001-33776).
†10.29*	Resolute Forest Products Equity Incentive Plan (previously named the AbitibiBowater Inc. 2010 Equity Incentive Plan), effective as of December 9, 2010 (incorporated by reference from Exhibit 10.2 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 9, 2012, SEC File No. 001-33776).
†10.30*	Resolute Forest Products Outside Director Deferred Compensation Plan (previously named the AbitibiBowater Inc. Outside Director Deferred Compensation Plan), effective as of April 1, 2011 (incorporated by reference from Exhibit 10.3 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 9, 2012, SEC File No. 001-33776).
†10.31*	Summary of 2014 Resolute Forest Products Inc. Short-Term Incentive Plan (incorporated by reference from the description in Resolute Forest Products Inc.'s Current Report on Form 8-K filed February 10, 2014, SEC File No. 001-33776).

<u>Exhibit No.</u>	<u>Description</u>
†10.32*	Form of Indemnification Agreement for Directors and Officers of Resolute Forest Products Inc. (incorporated by reference from Exhibit 10.41 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 filed March 1, 2013, SEC File No. 001-33776).
†10.33*	Resolute Forest Products Equity Incentive Plan Form of Director Deferred Stock Unit Agreement. (incorporated by reference from Exhibit 10.2 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
†10.34*	Resolute Forest Products Equity Incentive Plan Form of Director Restricted Stock Unit Agreement. (incorporated by reference from Exhibit 10.3 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
†10.35*	Resolute Forest Products Equity Incentive Plan Form of Restricted Stock Unit Agreement (incorporated by reference from Exhibit 10.2 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 filed November 10, 2014, SEC File No. 001-33776).
†10.36*	Resolute Forest Products Equity Incentive Plan Form of Employee Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.41 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.37*	Offer Letter between André Piché and Resolute Forest Products Inc., dated February 4, 2014 (incorporated by reference from Exhibit 10.42 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.38*	Offer Letter between Richard Tremblay and Resolute Forest Products Inc., dated February 4, 2014 (incorporated by reference from Exhibit 10.43 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
10.39*	Amendment No. 6, dated as of February 25, 2014, to ABL Credit Agreement, dated as of December 9, 2010, among Resolute Forest Products Inc. (f/k/a AbitibiBowater Inc.) the Subsidiaries of Resolute Forest Products Inc. parties thereto, the Lenders party thereto and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.44 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.40*	Resolute Forest Products Equity Incentive Plan Form of Performance Stock Unit Agreement (incorporated by reference from Exhibit 10.1 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 filed November 10, 2014, SEC File No. 001-33776).
†10.41*	Summary of 2015 Resolute Forest Products Inc. Short-Term Incentive Plan (incorporated by reference from the description in Resolute Forest Products Inc.'s Current Report on Form 8-K filed February 6, 2015, SEC File No. 001-33776).
†10.42**	2014 Resolute Forest Products Inc. Short-Term Incentive Plan.
†10.43**	2014 Resolute Forest Products Inc. Short-Term Incentive Plan - US.
†10.44**	First Amendment dated February 14, 2014 to the AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan, effective as of December 9, 2010.
†10.45**	Resolute FP Canada Inc. and Resolute Forest Products Inc. Security Protocol with respect to the Resolute Forest Products 2010 Canadian DB Supplemental Executive Retirement Plan and the Resolute Canada SERP, amended and restated effective April 11, 2014.
†10.46**	Form of Indemnification Agreement for Directors and Officers of Resolute Forest Products Inc.
12.1**	Computation of Ratio of Earnings to Fixed Charges.
21.1**	Subsidiaries of the registrant.
23.1**	Consent of PricewaterhouseCoopers LLP.
24.1**	Power of attorney for certain Directors of the registrant.
31.1**	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Senior Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

<u>Exhibit No.</u>	<u>Description</u>
32.1**	Certification of President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Senior Vice President and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	XBRL Instance Document.
101.SCH***	XBRL Taxonomy Extension Schema Document.
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document.

* Previously filed and incorporated herein by reference.

† This is a management contract or compensatory plan or arrangement.

** Filed with this Form 10-K.

*** Interactive data files furnished with this Form 10-K, which represent the following materials from this Form 10-K formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Loss, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statement of Changes in Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements and (vii) Schedule I – Resolute Forest Products Inc. Condensed Financial Statements and Notes.

(b) The above-referenced exhibits are being filed with this Form 10-K.

(c) None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RESOLUTE FOREST PRODUCTS INC.

Date: March 2, 2015

By: /s/ Richard Garneau
Richard Garneau
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard Garneau</u> Richard Garneau	President and Chief Executive Officer (Principal Executive Officer)	March 2, 2015
<u>/s/ Bradley P. Martin*</u> Bradley P. Martin	Chairman, Director	March 2, 2015
<u>/s/ Jo-Ann Longworth</u> Jo-Ann Longworth	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 2, 2015
<u>/s/ Silvana Travaglini</u> Silvana Travaglini	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 2, 2015
<u>/s/ Michel P. Desbiens*</u> Michel P. Desbiens	Director	March 2, 2015
<u>/s/ Jennifer C. Dolan*</u> Jennifer C. Dolan	Director	March 2, 2015
<u>/s/ Richard D. Falconer*</u> Richard D. Falconer	Director	March 2, 2015
<u>/s/ Jeffrey A. Hearn*</u> Jeffrey A. Hearn	Director	March 2, 2015
<u>/s/ Alain Rhéaume*</u> Alain Rhéaume	Director	March 2, 2015
<u>/s/ Michael S. Rousseau*</u> Michael S. Rousseau	Director	March 2, 2015
<u>/s/ David H. Wilkins*</u> David H. Wilkins	Director	March 2, 2015

* Jo-Ann Longworth, by signing her name hereto, does sign this document on behalf of the persons indicated above pursuant to powers of attorney duly executed by such persons that are filed herewith as Exhibit 24.1.

By: /s/ Jo-Ann Longworth
Jo-Ann Longworth, Attorney-in-Fact

Schedule I – RESOLUTE FOREST PRODUCTS INC. CONDENSED FINANCIAL STATEMENTS AND NOTES

Resolute Forest Products Inc.
(Parent Company Only)
Condensed Statements of Operations and Comprehensive Loss
(In millions)

	Years Ended December 31,		
	2014	2013	2012
Expenses:			
Selling, general and administrative expenses	\$ 17	\$ 18	\$ 18
Operating loss	(17)	(18)	(18)
Interest expense	(71)	(89)	(214)
Other (expense) income, net	(1)	(60)	2
Equity in (loss) income of subsidiaries	(188)	(472)	147
Loss before income taxes	(277)	(639)	(83)
Income tax benefit	—	—	84
Net (loss) income	(277)	(639)	1
Equity in other comprehensive (loss) income of subsidiaries	(447)	343	(319)
Comprehensive loss	\$ (724)	\$ (296)	\$ (318)

See accompanying notes to condensed financial statements.

Schedule I – RESOLUTE FOREST PRODUCTS INC. CONDENSED FINANCIAL STATEMENTS AND NOTES

Resolute Forest Products Inc.
(Parent Company Only)
Condensed Balance Sheets
(In millions)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Note receivable from subsidiary	—	13
Total current assets	—	13
Investments in consolidated subsidiaries	4,096	4,734
Other assets	7	8
Total assets	\$ 4,103	\$ 4,755
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5	\$ 5
Accounts payable to subsidiaries	386	352
Note and interest payable to subsidiaries	287	14
Total current liabilities	678	371
Long-term debt	595	595
Notes payable to subsidiaries	388	627
Other long-term liabilities	1	—
Total liabilities	1,662	1,593
Equity:		
Common stock	—	—
Additional paid-in capital	4,089	4,086
Deficit	(869)	(592)
Accumulated other comprehensive loss	(718)	(271)
Treasury stock	(61)	(61)
Total Resolute Forest Products Inc. equity	2,441	3,162
Total liabilities and equity	\$ 4,103	\$ 4,755

See accompanying notes to condensed financial statements.

Schedule I – RESOLUTE FOREST PRODUCTS INC. CONDENSED FINANCIAL STATEMENTS AND NOTES

Resolute Forest Products Inc.
(Parent Company Only)
Condensed Statements of Changes in Equity
(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total Equity
Balance as of December 31, 2011	\$ —	\$ 4,022	\$ 47	\$ (311)	\$ —	\$ 3,758
Share-based compensation costs for equity-classified awards	—	5	—	—	—	5
Net income	—	—	1	—	—	1
Distribution of common stock to wholly-owned subsidiary (2.8 newly-issued shares and 0.5 shares of treasury stock)	—	38	(1)	—	6	43
Disposition of investment in wholly-owned subsidiary	—	—	—	16	—	16
Purchases of treasury stock (5.6 shares)	—	—	—	—	(67)	(67)
Distribution of common stock from the share reserve to wholly-owned subsidiaries (0.1 shares in treasury)	—	—	—	—	—	—
Stock incentive awards vested (0.1 shares), net of shares forfeited for employee withholding taxes	—	—	—	—	—	—
Other comprehensive loss, net of tax	—	—	—	(319)	—	(319)
Balance as of December 31, 2012	—	4,065	47	(614)	(61)	3,437
Share-based compensation costs for equity-classified awards	—	7	—	—	—	7
Net loss	—	—	(639)	—	—	(639)
Acquisition of non-controlling interest in wholly-owned subsidiary	—	14	—	—	—	14
Transfer of common stock from the share reserve to the Company (0.3 shares in treasury)	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	343	—	343
Balance as of December 31, 2013	—	4,086	(592)	(271)	(61)	3,162
Share-based compensation costs for equity-classified awards	—	3	—	—	—	3
Net loss	—	—	(277)	—	—	(277)
Stock incentive awards exercised or vested (0.3 shares), net of shares forfeited for employee withholding taxes	—	—	—	—	—	—
Other comprehensive loss, net of tax	—	—	—	(447)	—	(447)
Balance as of December 31, 2014	\$ —	\$ 4,089	\$ (869)	\$ (718)	\$ (61)	\$ 2,441

Schedule I – RESOLUTE FOREST PRODUCTS INC. CONDENSED FINANCIAL STATEMENTS AND NOTES

Resolute Forest Products Inc.
(Parent Company Only)
Condensed Statements of Cash Flows
(In millions)

	Years Ended December 31,		
	2014	2013	2012
Net cash used in operating activities	\$ —	\$ (5)	\$ —
Cash flows from investing activities:			
Advances from affiliates	—	—	72
Net cash provided by investing activities	—	—	72
Cash flows from financing activities:			
Issuance of long-term debt	—	594	—
Premium paid on extinguishment of debt	—	(84)	—
Purchases of treasury stock	—	—	(67)
Payments of debt	—	(501)	—
Payments of financing and credit facility fees	—	(9)	—
Net cash used in financing activities	—	—	(67)
Net (decrease) increase in cash and cash equivalents	—	(5)	5
Cash and cash equivalents:			
Beginning of year	—	5	—
End of year	\$ —	\$ —	\$ 5

See accompanying notes to condensed financial statements.

Schedule I – RESOLUTE FOREST PRODUCTS INC. CONDENSED FINANCIAL STATEMENTS AND NOTES

**Resolute Forest Products Inc.
(Parent Company Only)
Notes to Condensed Financial Statements**

Note A. Organization and Basis of Presentation

The accompanying condensed financial statements, including the notes thereto, should be read in conjunction with the consolidated financial statements of Resolute Forest Products Inc. included in Item 8 of this Form 10-K (“Consolidated Financial Statements”). When the term “Resolute Forest Products Inc.” (also referred to as “Resolute Forest Products,” “we,” “us” or “our”) is used, we mean Resolute Forest Products Inc., the parent company only. Resolute Forest Products Inc. is incorporated in Delaware and is a holding company whose only significant asset is an investment in the common stock of our subsidiaries.

All amounts are expressed in U.S. dollars, unless otherwise indicated. Defined terms in this Schedule I have the meanings ascribed to them in the Consolidated Financial Statements.

Note B. Financing Arrangements

Our financing arrangements include our 2023 Notes and ABL Credit Facility. See Note 13, “Long-Term Debt,” to our Consolidated Financial Statements for a discussion of these financing arrangements.

Note C. Transactions with Related Parties

Note Receivable

On December 9, 2010, Resolute FP Canada Inc. entered into a promissory note payable to us in the amount of \$250 million, bearing interest at the Applicable Federal Rate set forth by the Internal Revenue Service for obligations of this type, due on demand by us. Interest recorded on the note was less than \$1 million in each of 2014, 2013 and 2012, and is included in “Other (expense) income, net” in our Statements of Operations. As of December 31, 2013, the outstanding balance of the note and accrued interest on the note totaled \$13 million, approximated fair value and was included in “Note receivable from subsidiary” in our Condensed Balance Sheets. As of December 31, 2014, the outstanding balance of the note and the related interest receivable on the note was settled in full.

Notes Payable

Notes payable to subsidiaries, including current portion and interest payable, as of December 31, 2014 and 2013, was comprised of the following:

<i>(In millions)</i>	2014	2013
Notes payable to subsidiaries, including current portion and interest payable		
RFP US note	\$ 388	\$ 364
Donohue note	287	277
	675	641
Less: Current portion of notes payable to subsidiaries including interest payable		
RFP US note	—	(11)
Donohue note	(287)	(3)
	(287)	(14)
Notes payable to subsidiaries, net of current portion and interest payable	\$ 388	\$ 627

Interest expense on notes payable to subsidiaries for the years ended December 31, 2014, 2013 and 2012 was comprised of the following:

<i>(In millions)</i>	2014	2013	2012
RFP US note	\$ 24	\$ 32	\$ 127
Donohue note	10	16	32
	\$ 34	\$ 48	\$ 159

Resolute Forest Products Inc.
(Parent Company Only)
Notes to Condensed Financial Statements

In 2008, we contributed to Resolute FP US Inc. a promissory note due June 30, 2013, executed by us in favor of Resolute FP US Inc. in exchange for the ownership interest it held in one of its subsidiaries (“RFP US note”). On June 30, 2013, we entered into an agreement to amend and restate our RFP US note. As amended, the amount of the promissory note was \$353 million (decreased from \$650 million) with an interest rate of 6.5% (decreased from 12.5%) due June 30, 2018. As of December 31, 2014 and 2013, the fair value of the RFP US note approximated its carrying value.

In 2008, AbitibiBowater US Holding LLC (“Holding”), a subsidiary of ours, entered into a promissory note payable to Donohue Corp. (“Donohue,” a wholly-owned subsidiary of ours) due March 31, 2013 (the “Donohue note”). In 2010, we assumed, by merger with Holding, its obligations with respect to this promissory note. On March 28, 2013, we entered into an agreement to amend and restate our Donohue note. As amended, the amount of the promissory note was \$270 million (increased from \$139 million) with an interest rate of 3.57% (decreased from 13.75%) due March 31, 2015. As of December 31, 2014 and 2013, the fair value of the Donohue note approximated its carrying value.

Guarantees

We guarantee debt and other obligations of our subsidiaries with certain third parties. These guarantees are primarily to companies that provide energy required to operate certain facilities within our subsidiaries. Such obligations include the guarantee of payments owing by subsidiaries when due under various agreements to their respective counterparties. These guarantees would require payment from us only in the event of default on payment by the subsidiary. As of December 31, 2014 and 2013, the maximum potential amount of future payments that we could be required to make under these guarantees was \$27 million and \$35 million, respectively. The guarantees have terms ranging from 10 to 90 days.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2.1*	Share Purchase Agreement, dated December 10, 2012, among The Province of Nova Scotia, Bowater Canadian Limited, The Daily Herald Company and Resolute Forest Products Inc. (incorporated by reference from Exhibit 2.1 to Resolute Forest Products Inc.'s Current Report on Form 8-K filed December 14, 2012, SEC File No. 001-33776).
3.1*	Amended and Restated Certificate of Incorporation of Resolute Forest Product Inc. (incorporated by reference from Exhibit 3.1 to Resolute Forest Product Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 filed March 1, 2013, SEC File No. 001-33776).
3.2*	By-laws of Resolute Forest Products Inc., as amended through December 4, 2014 (incorporated by reference from Exhibit 3.1 to Resolute Forest Products Inc.'s Current Report on Form 8-K filed on December 10, 2014).
4.1*	Indenture, dated as of May 8, 2013, among Resolute Forest Products Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee. (incorporated by reference from Exhibit 4.4 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
4.2*	Registration Rights Agreement, dated as of May 8, 2013, among Resolute Forest Products Inc., the guarantors party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative. (incorporated by reference from Exhibit 4.5 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
10.1*	ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., Bowater Incorporated, Abitibi-Consolidated Corp., Abitibi-Consolidated Inc., Barclays Bank PLC, JPMorgan Chase Bank, N.A., and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed December 15, 2010, SEC File No. 001-33776).
10.2*	Securities Purchase Agreement, dated February 11, 2011, among AbiBow Canada Inc., Caisse de depot et placement du Québec and CDP Investissements Inc., as vendors, and Infra H2O GP Partners Inc., Infra H2O LP Partners Inc. and BluEarth Renewables Inc., as the purchaser (incorporated by reference from Exhibit 2.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed February 17, 2011, SEC File No. 001-33776).
†10.3*	AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan, effective as of December 9, 2010 (incorporated by reference from Exhibit 10.4 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
†10.4*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Restricted Stock Unit Agreement (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Registration Statement on Form S-8 filed January 7, 2011, SEC Registration No. 333-171602).
†10.5*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Director Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.3 to AbitibiBowater Inc.'s Registration Statement on Form S-8 filed January 7, 2011, SEC Registration No. 333-171602).
†10.6*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Employee Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.4 to AbitibiBowater Inc.'s Registration Statement on Form S-8 filed January 7, 2011, SEC Registration No. 333-171602).
†10.7*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Employee Restricted Stock Unit Agreement (incorporated by reference from Exhibit 10.13 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.8*	AbitibiBowater Inc. 2010 Equity Incentive Plan Form of Employee Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.14 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.9*	AbitibiBowater Executive Restricted Stock Unit Plan, effective as of April 1, 2011 (incorporated by reference from Exhibit 10.13 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
†10.10*	Employment Agreement between Yves Laflamme and AbitibiBowater Inc., dated February 14, 2011 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Current Report on Form 8-K filed February 18, 2011, SEC File No. 001-33776).

<u>Exhibit No.</u>	<u>Description</u>
†10.11*	Offer Letter between Jo-Ann Longworth and AbitibiBowater Inc., dated July 25, 2011 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed November 14, 2011, SEC File No. 001-33776).
†10.12*	Offer Letter between Pierre Laberge and AbitibiBowater Inc., dated June 9, 2011 (incorporated by reference from Exhibit 10.35 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.13*	Director compensation program chart (incorporated by reference from Exhibit 10.36 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
†10.14*	Retirement Compensation Trust Agreement (with Letter of Credit) between AbiBow Canada Inc. and AbitibiBowater Inc. and CIBC Mellon Trust Company, dated and effective as of November 1, 2011 (incorporated by reference from Exhibit 10.39 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 29, 2012, SEC File No. 001-33776).
10.15*	Agreement Concerning the Pulp and Paper Operations of AbiBow Canada in Ontario, dated November 10, 2010, between Bowater Canadian Forest Products Inc. and Abitibi-Consolidated Company of Canada and The Province of Ontario (incorporated by reference from Exhibit 10.32 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
10.16*	Agreement Concerning the Pulp and Paper Operations of AbiBow Canada in Québec, dated September 13, 2010, between Bowater Canadian Forest Products Inc. and Abitibi-Consolidated Company of Canada and The Government of Québec (incorporated by reference from Exhibit 10.33 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
10.17*	Amendment No. 1, dated as of April 28, 2011, to the ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., the subsidiaries of AbitibiBowater party thereto, the lenders party thereto from time to time and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 filed May 16, 2011, SEC File No. 001-33776).
10.18*	Amendment No. 2, dated October 28, 2011, to ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., AbiBow US Inc. (f/k/a Bowater Incorporated) and AbiBow Recycling LLC (f/k/a Abitibi-Consolidated Corp.) and AbiBow Canada Inc. (f/k/a Abitibi-Consolidated Inc.), and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed October 31, 2011, SEC File No. 001-33776).
10.19*	Lock-up Agreement between AbitibiBowater Inc. and Fairfax Financial Holdings Limited, dated as of November 28, 2011 (incorporated by reference from Exhibit 10.1 to AbitibiBowater Inc.'s Current Report on Form 8-K filed November 29, 2011, SEC File No. 001-33776).
10.20*	Lock-up Agreement between AbitibiBowater Inc. and Oakmont Capital Inc., dated as of November 28, 2011 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Current Report on Form 8-K filed November 29, 2011, SEC File No. 001-33776).
10.21*	Lock-up Agreement between AbitibiBowater Inc. and Dalal Street, LLC, dated as of November 28, 2011 (incorporated by reference from Exhibit 10.3 to AbitibiBowater Inc.'s Current Report on Form 8-K filed November 29, 2011, SEC File No. 001-33776).
†10.22*	Executive Employment Agreement between Resolute Forest Products Inc. and Richard Garneau, dated February 26, 2014 (incorporated by reference from Exhibit 10.24 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.23*	Change in Control Agreement between Resolute Forest Products Inc. and Richard Garneau, dated February 26, 2014 (incorporated by reference from Exhibit 10.25 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.24*	Offer Letter between John Lafave and AbitibiBowater Inc., dated February 14, 2011 (incorporated by reference from Exhibit 10.29 to AbitibiBowater Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 filed April 5, 2011, SEC File No. 001-33776).
†10.25*	Offer Letter between Jacques Vachon and AbitibiBowater Inc., dated March 19, 2012 (incorporated by reference from Exhibit 10.2 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed May 10, 2012, SEC File No. 001-33776).
†10.26*	Resolute Forest Products DC Make-up Program, effective January 1, 2012 (incorporated by reference from Exhibit 10.3 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed May 10, 2012, SEC File No. 001-33776).

<u>Exhibit No.</u>	<u>Description</u>
10.27*	Waiver and Amendment No. 3, dated as of March 21, 2012, under and to the ABL Credit Agreement, dated as of December 9, 2010, among AbitibiBowater Inc., the subsidiaries of AbitibiBowater party thereto, the lenders party thereto from time to time and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.4 to AbitibiBowater Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed May 10, 2012, SEC File No. 001-33776).
†10.28*	Resolute Forest Products Inc. Severance Policy – Chief Executive Officer and Direct Reports, effective as of August 1, 2012 (incorporated by reference from Exhibit 10.1 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed August 9, 2012, SEC File No. 001-33776).
†10.29*	Resolute Forest Products Equity Incentive Plan (previously named the AbitibiBowater Inc. 2010 Equity Incentive Plan), effective as of December 9, 2010 (incorporated by reference from Exhibit 10.2 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 9, 2012, SEC File No. 001-33776).
†10.30*	Resolute Forest Products Outside Director Deferred Compensation Plan (previously named the AbitibiBowater Inc. Outside Director Deferred Compensation Plan), effective as of April 1, 2011 (incorporated by reference from Exhibit 10.3 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 9, 2012, SEC File No. 001-33776).
†10.31*	Summary of 2014 Resolute Forest Products Inc. Short-Term Incentive Plan (incorporated by reference from the description in Resolute Forest Products Inc.'s Current Report on Form 8-K filed February 10, 2014, SEC File No. 001-33776).
†10.32*	Form of Indemnification Agreement for Directors and Officers of Resolute Forest Products Inc. (incorporated by reference from Exhibit 10.41 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 filed March 1, 2013, SEC File No. 001-33776).
†10.33*	Resolute Forest Products Equity Incentive Plan Form of Director Deferred Stock Unit Agreement. (incorporated by reference from Exhibit 10.2 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
†10.34*	Resolute Forest Products Equity Incentive Plan Form of Director Restricted Stock Unit Agreement. (incorporated by reference from Exhibit 10.3 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed May 10, 2013, SEC File No. 001-33776).
†10.35*	Resolute Forest Products Equity Incentive Plan Form of Restricted Stock Unit Agreement (incorporated by reference from Exhibit 10.2 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 filed November 10, 2014, SEC File No. 001-33776).
†10.36*	Resolute Forest Products Equity Incentive Plan Form of Employee Nonqualified Stock Option Agreement (incorporated by reference from Exhibit 10.41 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.37*	Offer Letter between André Piché and Resolute Forest Products Inc., dated February 4, 2014 (incorporated by reference from Exhibit 10.42 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.38*	Offer Letter between Richard Tremblay and Resolute Forest Products Inc., dated February 4, 2014 (incorporated by reference from Exhibit 10.43 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
10.39*	Amendment No. 6, dated as of February 25, 2014, to ABL Credit Agreement, dated as of December 9, 2010, among Resolute Forest Products Inc. (f/k/a AbitibiBowater Inc.) the Subsidiaries of Resolute Forest Products Inc. parties thereto, the Lenders party thereto and Citibank, N.A., as administrative agent and collateral agent (incorporated by reference from Exhibit 10.44 to Resolute Forest Products Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed March 3, 2014, SEC File No. 001-33776).
†10.40*	Resolute Forest Products Equity Incentive Plan Form of Performance Stock Unit Agreement (incorporated by reference from Exhibit 10.1 to Resolute Forest Products Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 filed November 10, 2014, SEC File No. 001-33776).
†10.41*	Summary of 2015 Resolute Forest Products Inc. Short-Term Incentive Plan (incorporated by reference from the description in Resolute Forest Products Inc.'s Current Report on Form 8-K filed February 6, 2015, SEC File No. 001-33776).
†10.42**	2014 Resolute Forest Products Inc. Short-Term Incentive Plan.
†10.43**	2014 Resolute Forest Products Inc. Short-Term Incentive Plan - US.
†10.44**	First Amendment dated February 14, 2014 to the AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan, effective as of December 9, 2010.

<u>Exhibit No.</u>	<u>Description</u>
†10.45**	Resolute FP Canada Inc. and Resolute Forest Products Inc. Security Protocol with respect to the Resolute Forest Products 2010 Canadian DB Supplemental Executive Retirement Plan and the Resolute Canada SERP, amended and restated effective April 11, 2014.
†10.46**	Form of Indemnification Agreement for Directors and Officers of Resolute Forest Products Inc.
12.1**	Computation of Ratio of Earnings to Fixed Charges.
21.1**	Subsidiaries of the registrant.
23.1**	Consent of PricewaterhouseCoopers LLP.
24.1**	Power of attorney for certain Directors of the registrant.
31.1**	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Senior Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Senior Vice President and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	XBRL Instance Document.
101.SCH***	XBRL Taxonomy Extension Schema Document.
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document.

* Previously filed and incorporated herein by reference.

† This is a management contract or compensatory plan or arrangement.

** Filed with this Form 10-K.

*** Interactive data files furnished with this Form 10-K, which represent the following materials from this Form 10-K formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Loss, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statement of Changes in Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to Consolidated Financial Statements and (vii) Schedule I – Resolute Forest Products Inc. Condensed Financial Statements and Notes.

(b) The above-referenced exhibits are being filed with this Form 10-K.

(c) None.



2014 Short-Term Incentive Plan

- Purpose** As a means of rewarding employees for their contribution toward the success of the Company, a 2014 Short-Term Incentive Plan (STIP) has been instituted. The STIP is designed to link a portion of employees' total compensation to the attainment of specific, measurable, and bottom-line oriented key company performance indicators.
- Eligibility** The Plan applies to all non-unionized, regular, salaried, employees of the Company. Eligibility for or receipt of incentive pay should not be considered as automatic, retroactive or precedent based.
- Performance Period** The STIP relates to the achievement of performance goals over the period from January 1, 2014 to December 31, 2014.
- Plan Design** The STIP is designed to reflect the different employee accountabilities and diversity of positions. In order to tie incentive payouts to employee performance and the achievement of key performance indicators, the STIP's design is adapted to all groups of employees: Operations, Sales and Corporate.
- The amount of award a participant is eligible to receive is expressed as a certain percentage of the employee's base salary (eligible earnings in the case of non-exempt salaried employees in the United States) as determined by his grade level. Base salary is the rate in effect at December 31, 2014. The Company determines the threshold, target and maximum incentive payouts to participants, which payout levels vary per grade level. Supervisors are responsible to inform their employees of their respective threshold, target and maximum incentive award payouts.
- Discretionary Plan and Plan Administration**
- ▶ Incentive payouts are within the complete and sole discretion of the Company.
 - ▶ The Company will approve actual achievement of performance measures and individual awards based on actual achievement before awards are granted and paid, subject to the overall maximum incentive payout described below under "Maximum and Minimum Payout".
 - ▶ The Company has the right to adjust any or all awards; this includes the right to eliminate any or all awards for any year despite achievement of performance measures, even if such decision is made after the end of the performance period.
 - ▶ The Company may modify, suspend, amend or terminate the STIP at any time.
 - ▶ Any payment made under this plan is subject to the Company's recoupment policy.
 - ▶ With respect to any employee, the Company reserves the right to reduce or even cancel incentive awards in the event an employee has demonstrated a lower level of performance than expected, whether or not the Company or group performance levels have been met.
 - ▶ A performance appraisal must be completed for each employee to justify an award under the STIP.
 - ▶ Adjustments may be made to the financial metrics for closure costs, impairment charges and other related charges, severance costs, net loss or gain on the disposition of assets, and similar items.
 - ▶ Adjustments may be made to the cost metrics for specific reasons such as market downtime, major variation in grade mix, major changes in input price, restructuring or reorganization costs, and similar items.
 - ▶ Any adjustment to the performance metrics has to be formally approved before implementation.
 - ▶ Awards under the STIP are to be paid in a lump sum no later than March 15, 2015.



2014 Short-Term Incentive Plan

Performance Metrics

Performance Metrics & Weighting

Performance Metrics

Criteria	Threshold	Target	Maximum
Income from operations (RFP)	\$ 159M (80% of Budget)	\$ 199M (Budget)	\$ 239M (120% of Budget)
Manufacturing costs ¹	2% > Budget	Budget	2% < Budget
SG&A Cost ²	\$ 147M (3.5% > Budget)	\$ 142M (Budget)	\$ 137M (3.5% < Budget)
Profit per metric ton ³	80% of Budget	Budget	120% of Budget
Days to pay – Year-over-year improvement	0.5%	1.5%	≥ 2%
Safety – OSHA rate ⁴	1.10	0.99	≤ 0.90
Safety – Severity rate ⁵	30	27	≤ 24
Class 1 & 2 environmental incidents – Year-over-year improvement (RFP) ⁶	5%	10%	≥ 15%

- ¹ For the Hydro-Saguenay division, threshold is set at budget, target is set at 2% below budget and maximum payout is set at 5% below budget. Targets based on cost of goods sold are set for the Recycling. US Wood Product divisions are tied to the manufacturing costs of the respective paper mills they supply.
- ² Excluding incentive and equity compensation costs.
- ³ Performance measures differ for the Wood Products and South Korea sales forces.
- ⁴ The frequency of safety incidents is the OSHA incident rate measured by the number recordable incidents, multiplied by 200,000 and divided by the total number of hours worked. The calculation methodology for the mills/divisions varies from the calculation methodology for corporate.
- ⁵ The severity of safety incidents is measured by the number of days lost due to lost time incidents and incidents resulting in temporary assignments or restricted work, multiplied by 200,000 and divided by the total number of hours worked. Targets based on vehicle incident rate are set for the Recycling division.
- ⁶ Performance is based on the Company's year-over-year improvement for all employees, provided that i) pulp and paper mill employees will not be entitled to a payout for the environmental metric if the number of class 1 & 2 incidents recorded at their respective mill is 5 or greater and ii) employees of other facilities and divisions will not be entitled to a payout for the environmental metric if the number of class 1 & 2 incidents recorded at their respective facility or division is 2 or greater.



2014 Short-Term Incentive Plan

% of STIP

Weighting	Pulp/paper mills	Wood products divisions	Sales ¹	Corporate functions
Income from operations (RFP)	35%	35%	50%	50%
Manufacturing costs (mill/division)	40%	40%		
SG&A cost control			5%	25%
Profit per metric ton			12%	
Days to pay			8%	
Safety – OSHA (mill/division) (RFP)	15% (mill)	15% (division)	15% (RFP)	15% (RFP)
Safety – Severity (mill/division) (RFP)	5% (mill)	5% (division)	5% (RFP)	5% (RFP)
Environmental incidents (RFP) ²	5%	5%	5%	5%

¹ Weighting differs for the Wood Products and South Korea sales forces.

² See note 6 of the previous table.

Maximum and Minimum Payout

The overall maximum incentive payout under the STIP cannot exceed 7% of the free cash flow (FCF) generated by the Company in 2014 (maximum available envelope). If the total payout determined based on actual achievement of performance metrics exceeds the maximum available envelope, all incentive awards are reduced on a prorata basis. If the total payout determined based on actual achievement of performance metrics is lower than the maximum available envelope, the excess envelope is not distributed to participants.

There is no minimum payout under the STIP.

Cash Flow Measure

For purpose of the STIP, free cash flow is defined as net cash provided by operating activities, less maintenance, safety and environmental capital expenditures, adjusted for:

- ▶ Cash reorganization and restructuring costs
- ▶ Optional pension contributions towards past service
- ▶ Other special items

Vacation

Any payment made pursuant to the STIP is deemed to include any and all vacation pay that may be owed pursuant to applicable minimum employment standards.

Administrative Guidelines

New Hires

An employee hired into a regular position on or before September 30, 2014 is eligible to participate on a prorated basis, effective upon his date of hire. An employee hired into a regular position on or after October 1, 2014 is not eligible for participation in the STIP.

Promotion or Status Changes

- ▶ If an employee is promoted or demoted to a position covered by a different incentive payout level, any incentive payout calculation will be prorated for time spent in respective positions. In either case, the base salary rate used to determine the prorated incentive payout will be the base salary rate in effect at December 31, 2014.
- ▶ If an employee is transferred internally, any incentive payout calculation will be prorated for time spent in respective locations or groups. The base salary rate used to determine the prorated incentive payout will be the base salary rate in effect at December 31, 2014.
- ▶ If an employee's status changes from temporary salaried, unionized salaried or hourly to regular non-unionized salaried (and vice versa) during the performance period, the employee will be eligible to participate for time spent as a regular non-unionized salaried employee, and any incentive payout calculation will be prorated for time spent as a regular non-unionized salaried employee. The base salary rate used to determine the prorated incentive payout will be the base salary rate in effect at December 31, 2014.
- ▶ If an employee's status changes between non-exempt and exempt during the year, the incentive payout will be calculated based on eligible earnings for time spent as a non-exempt employee and on the base salary as of December 31, 2014 for time spent as an exempt employee.

Termination

- ▶ An employee who retires or who dies during the performance period will be entitled to receive a prorated incentive payout, based on actual achievement for time as an active eligible employee, if and when the Board approves the incentive payouts and does not otherwise cancel payment. For the purpose of this plan, an employee is deemed to retire if he is age 57 or above on his last day of active work and has completed at least 2 years of continuous service. Nevertheless, an employee who hands over his resignation to start a new employment within 3 months of his last day of work is considered to have resigned and not deemed to retire. Notwithstanding the above, the Company reserves the right, at its discretion, to make the final decision on the award eligibility.
- ▶ An employee who is involuntarily terminated and whose last day of active work is on or before June 30, 2014 will not be entitled to receive an incentive payout, unless he is deemed to retire pursuant to the previous paragraph.
- ▶ An employee who is involuntarily terminated and whose last day of active work is on or after July 1, 2014 will be entitled to receive a prorata amount of an incentive payout, based on actual achievement for time as an active eligible employee, if and when the Board approves the incentive payouts and does not otherwise cancel payment.
- ▶ An employee who hands in his resignation before payment is made will not be eligible to receive an award.
- ▶ Notwithstanding anything to the contrary, an employee who is terminated for cause, as determined by the Company or his specific employer, in their discretion, whether during the performance period or after the performance period and before actual payouts, will not receive an award.

Administrative Guidelines

Other leaves

- ▶ Maternity/parental/adoption leave: The length of the leave is not included in the calculation of any incentive payout.
- ▶ Leave without pay: The length of the leave is not included in the calculation of any incentive payout.
- ▶ Short-term absence due to illness: The length of the absence is included in the calculation of the incentive payout if it is a bona fide absence pursuant to the disability medical leave procedure.
- ▶ Long-term absence due to illness (time on long-term disability): The length of the absence is not included in the calculation of the incentive payout.

Approved by:



Richard Garneau
President and Chief Executive Officer



2014 Short-Term Incentive Plan- US

- Purpose** As a means of rewarding employees for their contribution toward the success of the Company, a 2014 Short-Term Incentive Plan (STIP) has been instituted. The STIP is designed to link a portion of employees' total compensation to the attainment of specific, measurable, and bottom-line oriented key company performance indicators.
- Eligibility** The Plan applies to all non-unionized, regular, salaried, employees of the Company. Eligibility for or receipt of incentive pay should not be considered as automatic, retroactive or precedent based.
- Performance Period** The STIP relates to the achievement of performance goals over the period from January 1, 2014 to December 31, 2014.
- Plan Design** The STIP is designed to reflect the different employee accountabilities and diversity of positions. In order to tie incentive payouts to employee performance and the achievement of key performance indicators, the STIP's design is adapted to all groups of employees: Operations, Sales and Corporate.
- The amount of award a participant is eligible to receive is expressed as a certain percentage of the employee's base salary (eligible earnings in the case of non-exempt salaried employees in the United States) as determined by his grade level. Base salary is the rate in effect at December 31, 2014. The Company determines the threshold, target and maximum incentive payouts to participants, which payout levels vary per grade level. Supervisors are responsible to inform their employees of their respective threshold, target and maximum incentive award payouts.
- Discretionary Plan and Plan Administration**
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 - ▶ The Company will approve actual achievement of performance measures and individual awards based on actual achievement before awards are granted and paid, subject to the overall maximum incentive payout described below under "Maximum and Minimum Payout".
 - ▶ The Company has the right to adjust any or all awards; this includes the right to eliminate any or all awards for any year despite achievement of performance measures, even if such decision is made after the end of the performance period.
 - ▶ The Company may modify, suspend, amend or terminate the STIP at any time.
 - ▶ Any payment made under this plan is subject to the Company's recoupment policy.
 - ▶ With respect to any employee, the Company reserves the right to reduce or even cancel incentive awards in the event an employee has demonstrated a lower level of performance than expected, whether or not the Company or group performance levels have been met.
 - ▶ A performance appraisal must be completed for each employee to justify an award under the STIP.
 - ▶ Adjustments may be made to the financial metrics for closure costs, impairment charges and other related charges, severance costs, net loss or gain on the disposition of assets, and similar items.
 - ▶ Adjustments may be made to the cost metrics for specific reasons such as market downtime, major variation in grade mix, major changes in input price, restructuring or reorganization costs, and similar items.
 - ▶ Any adjustment to the performance metrics has to be formally approved before implementation.
 - ▶ Awards under the STIP are to be paid in a lump sum no later than March 15, 2015.



2014 Short-Term Incentive Plan- US

Performance Metrics

Performance Metrics & Weighting

Performance Metrics

Criteria	Threshold	Target	Maximum
Income from operations (RFP)	\$ 159M (80% of Budget)	\$ 199M (Budget)	\$ 239M (120% of Budget)
Manufacturing costs ¹	2% > Budget	Budget	2% < Budget
SG&A Cost ²	\$ 147M (3.5% > Budget)	\$ 142M (Budget)	\$ 137M (3.5% < Budget)
Profit per metric ton ³	80% of Budget	Budget	120% of Budget
Days to pay – Year-over-year improvement	0.5%	1.5%	≥ 2%
Safety – OSHA rate ⁴	1.10	0.99	≤ 0.90
Safety – Severity rate ⁵	30	27	≤ 24
Class 1 & 2 environmental incidents – Year-over-year improvement (RFP) ⁶	5%	10%	≥ 15%

¹ For the Hydro-Saguenay division, threshold is set at budget, target is set at 2% below budget and maximum payout is set at 5% below budget. Targets based on cost of goods sold are set for the Recycling. US Wood Product divisions are tied to the manufacturing costs of the respective paper mills they supply.

² Excluding incentive and equity compensation costs.

³ Performance measures differ for the Wood Products and South Korea sales forces.

⁴ The frequency of safety incidents is the OSHA incident rate measured by the number recordable incidents, multiplied by 200,000 and divided by the total number of hours worked. The calculation methodology for the mills/divisions varies from the calculation methodology for corporate.

⁵ The severity of safety incidents is measured by the number of days lost due to lost time incidents and incidents resulting in temporary assignments or restricted work, multiplied by 200,000 and divided by the total number of hours worked. Targets based on vehicle incident rate are set for the Recycling division.

⁶ Performance is based on the Company's year-over-year improvement for all employees, provided that i) pulp and paper mill employees will not be entitled to a payout for the environmental metric if the number of class 1 & 2 incidents recorded at their respective mill is 5 or greater and ii) employees of other facilities and divisions will not be entitled to a payout for the environmental metric if the number of class 1 & 2 incidents recorded at their respective facility or division is 2 or greater.



2014 Short-Term Incentive Plan- US

% of STIP

Weighting	Pulp/paper mills	Wood products divisions	Sales ¹	Corporate functions
Income from operations (RFP)	35%	35%	50%	50%
Manufacturing costs (mill/division)	40%	40%		
SG&A cost control			5%	25%
Profit per metric ton			12%	
Days to pay			8%	
Safety – OSHA (mill/division) (RFP)	15% (mill)	15% (division)	15% (RFP)	15% (RFP)
Safety – Severity (mill/division) (RFP)	5% (mill)	5% (division)	5% (RFP)	5% (RFP)
Environmental incidents (RFP) ²	5%	5%	5%	5%

¹ Weighting differs for the Wood Products and South Korea sales forces.

² See note 6 of the previous table.

Maximum and Minimum Payout

The overall maximum incentive payout under the STIP cannot exceed 7% of the free cash flow (FCF) generated by the Company in 2014 (maximum available envelope). If the total payout determined based on actual achievement of performance metrics exceeds the maximum available envelope, all incentive awards are reduced on a prorata basis. If the total payout determined based on actual achievement of performance metrics is lower than the maximum available envelope, the excess envelope is not distributed to participants.

There is no minimum payout under the STIP.

Cash Flow Measure

For purpose of the STIP, free cash flow is defined as net cash provided by operating activities, less maintenance, safety and environmental capital expenditures, adjusted for:

- ▶ Cash reorganization and restructuring costs
- ▶ Optional pension contributions towards past service
- ▶ Other special items

Vacation

Any payment made pursuant to the STIP is deemed to include any and all vacation pay that may be owed pursuant to applicable minimum employment standards.



2014 Short-Term Incentive Plan- US

Administrative Guidelines

New Hires

An employee hired into a regular position on or before September 30, 2014 is eligible to participate on a prorated basis, effective upon his date of hire. An employee hired into a regular position on or after October 1, 2014 is not eligible for participation in the STIP.

Promotion or Status Changes

- ▶ If an employee is promoted or demoted to a position covered by a different incentive payout level, any incentive payout calculation will be prorated for time spent in respective positions. In either case, the base salary rate used to determine the prorated incentive payout will be the base salary rate in effect at December 31, 2014.
- ▶ If an employee is transferred internally, any incentive payout calculation will be prorated for time spent in respective locations or groups. The base salary rate used to determine the prorated incentive payout will be the base salary rate in effect at December 31, 2014.
- ▶ If an employee's status changes from temporary salaried, unionized salaried or hourly to regular non-unionized salaried (and vice versa) during the performance period, the employee will be eligible to participate for time spent as a regular non-unionized salaried employee, and any incentive payout calculation will be prorated for time spent as a regular non-unionized salaried employee. The base salary rate used to determine the prorated incentive payout will be the base salary rate in effect at December 31, 2014.
- ▶ If an employee's status changes between non-exempt and exempt during the year, the incentive payout will be calculated based on eligible earnings for time spent as a non-exempt employee and on the base salary as of December 31, 2014 for time spent as an exempt employee.

Termination

- ▶ An employee who retires or who dies during the performance period will be entitled to receive a prorated incentive payout, based on actual achievement for time as an active eligible employee, if and when the Board approves the incentive payouts and does not otherwise cancel payment. For the purpose of this plan, an employee is deemed to retire if he is age 58 or above on his last day of active work and has completed at least 2 years of continuous service. Nevertheless, an employee who hands over his resignation to start a new employment within 3 months of his last day of work is considered to have resigned and not deemed to retire. Notwithstanding the above, the Company reserves the right, at its discretion, to make the final decision on the award eligibility.
- ▶ An employee who is involuntarily terminated and whose last day of active work is on or before June 30, 2014 will not be entitled to receive an incentive payout, unless he is deemed to retire pursuant to the previous paragraph.
- ▶ An employee who is involuntarily terminated and whose last day of active work is on or after July 1, 2014 will be entitled to receive a prorata amount of an incentive payout, based on actual achievement for time as an active eligible employee, if and when the Board approves the incentive payouts and does not otherwise cancel payment.
- ▶ An employee who hands in his resignation before payment is made will not be eligible to receive an award.
- ▶ Notwithstanding anything to the contrary, an employee who is terminated for cause, as determined by the Company or his specific employer, in their discretion, whether during the performance period or after the performance period and before actual payouts, will not receive an award.



2014 Short-Term Incentive Plan- US

Administrative Guidelines **Other leaves**

- ▶ Maternity/parental/adoption leave: The length of the leave is not included in the calculation of any incentive payout.
- ▶ Leave without pay: The length of the leave is not included in the calculation of any incentive payout.
- ▶ Short-term absence due to illness: The length of the absence is included in the calculation of the incentive payout if it is a bona fide absence pursuant to the disability medical leave procedure.
- ▶ Long-term absence due to illness (time on long-term disability): The length of the absence is not included in the calculation of the incentive payout.

Approved by:

A handwritten signature in black ink that reads 'Richard Garneau'.

Richard Garneau
President and Chief Executive Officer

**FIRST AMENDMENT
TO THE
ABITIBIBOWATER 2010 CANADIAN
DB SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

WHEREAS, Resolute Forest Products Inc. (formerly named AbitibiBowater Inc.) (the “Company”) adopted and established the AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan (the “Plan”) effective December 9, 2010, as may be amended from time to time;

WHEREAS, Section 6.1 of the Plan reserves to the Plan Administrator of the Plan the right to amend the Plan at any time and from time to time;

WHEREAS, Section 2.23 of the Plan provides that the Plan Administrator of the Plan is the Human Resources and Compensation/Nominating and Governance Committee until such authority has been delegated; and

WHEREAS, the Plan Administrator hereby amends the Plan to (1) update the Plan, including the name, to reflect the corporate name change to “Resolute Forest Products” and (2) eliminate the age requirement for receipt of an unreduced early retirement benefit in the event of an involuntary termination from employment to remove an inequity for those participants who were involuntarily terminated after age 55.

NOW THEREFORE, BE IT RESOLVED, that the Plan is amended in the following respects:

1. Section 2.7 of the Plan is amended as follows effective as of May 23, 2012:

“2.7 “Company” means Resolute Forest Products Inc., a Delaware corporation, or any successor corporation thereto. The Company may also mean a predecessor corporation thereto where the context so requires.”

2. Section 2.16 of the Plan is amended effective as of May 23, 2012 as follows:

“2.16 “Employer” means Resolute FP Canada Inc. and each other entity affiliated with the Company that is a participating employer under the Plan, and their successors.”

3. Section 2.22 of the Plan is amended as follows:

“2.22 “Plan” means Resolute Forest Products 2010 Canadian DB Supplemental Executive Retirement Plan.”

4. Effective as of May 23, 2012, all references to “AbitibiBowater” in Section 4.13 are replaced with “Resolute Forest Products”.

5. Effective as of October 24, 2011, the first paragraph of Section 4.9(b) of the Plan is amended to read as follows:

“4.9 Termination of Employment.

* * *

(b) Involuntary Termination after Two Years of Continuous or Credited Service.

A Participant who has completed at least 2 years of Continuous or Credited Service and ceases to be employed by the Employer as a result of the termination of his employment initiated by the Employer for any reason other than for cause, shall be entitled to receive a deferred Retirement Benefit the amount of which shall be determined as provided hereunder.”

6. Effective as of May 23, 2012, in Section 7.2, all references to “AbitibiBowater” are replaced with “Resolute Forest Products” and all references to “AbiBow Canada Inc.”, are replaced with “Resolute FP Canda Inc.”.

* * *

IN WITNESS WHEREOF, the undersigned officers of Resolute Forest Products Inc. and Resolute FP Canada Inc. have executed this document pursuant to the authority granted to them by the Board of Directors of Resolute Forest Products Inc. and Resolute FP Canada Inc.

RESOLUTE FOREST PRODUCTS INC.

RESOLUTE FP CANADA INC.

By: _____

Name: Jo-Ann Longworth
Title: Senior Vice President and
Chief Financial Officer

Date: February 14, 2014

By:

Name: Jo-Ann Longworth
Title: Senior Vice President and
Chief Financial Officer

Date: February 14, 2014

By: _____

Name: Pierre Laberge
Title: Senior Vice President,
Human Resources

Date: February 14, 2014

By:

Name: Pierre Laberge
Title: Senior Vice President,
Human Resources

Date: February 14, 2014

Resolute FP Canada Inc. and Resolute Forest Products Inc.
(the “Companies”)

Security Protocol

with respect to

**The Resolute Forest Products 2010 Canadian DB
Supplemental Executive Retirement Plan**

and

The Resolute Canada SERP
(the “Plans”)

Introduction

Effective December 9, 2010, the active executives listed in Appendix “A” (the “Listed Members”) have accrued pension benefits under the Plans. As resolved by the Board of Directors of AbitibiBowater Inc. at its meeting held on February 25, 2011, the Listed Members who meet the participation criteria set out below (the “Eligible Members”) are eligible for the benefits provided under this Security Protocol.

As further resolved by the Board of Directors at the above-referenced meeting, the pension benefits under the Plans accrued by Eligible Members who meet the vesting criteria set out below, their beneficiaries and certain beneficiaries in respect of Eligible Members who die before attaining age 55 (together, the “Vested and Secured Beneficiaries”) are to be secured in accordance with this Security Protocol.

This Security Protocol evidences the binding commitment of the Companies to provide security, in accordance with the terms and conditions set forth below, to the Vested and Secured Beneficiaries. This Security Protocol cancels, supersedes and replaces any arrangement entered into, before the date of execution of this Security Protocol, with a Listed Member with respect to the provision of security for the payment of any pension benefit for employment with a Company or any predecessor corporation of the Company, other than a pension benefit payable under a pension plan registered under the Income Tax Act (Canada).

As resolved by the Board of Directors of AbitibiBowater Inc. at its meeting held on February 22, 2012 the Security Protocol is amended to modify the definition of the Funding Ratio. Effective April 1, 2012, the Funding Ratio is fixed at one (1).

Effective May 23, 2012, AbitibiBowater Inc. changed its name to Resolute Forest Products Inc. and AbiBow Canada Inc. changed its name to Resolute FP Canada Inc. In order to reflect these name changes, the Security Protocol is amended and restated as of April 11, 2014.

Effective Date

The effective date of this Security Protocol is April 1, 2011. The Security Protocol is hereby amended and restated effective April 1, 2012.

The Security Protocol is hereby amended and restated effective April 11, 2014.

Security Arrangement

The Companies will enter into a Retirement Compensation Arrangement Trust Agreement (the "RCA Trust Agreement") with a trustee, for the purpose of securing Plan benefits for Vested and Secured Beneficiaries. The RCA Trust Agreement shall be in substantially the same form as the agreement attached hereto as Appendix "B", as amended from time to time in accordance with this Security Protocol. The Plans, this Security Protocol and the RCA Trust Agreement will together constitute a retirement compensation arrangement ("RCA"), within the meaning of the Income Tax Act (Canada).

The trust created under the RCA Trust Agreement (the "RCA Trust") will hold an irrevocable, renewable annual Letter of Credit, the right to claim a refund of refundable tax paid in connection with the RCA Trust, assets derived therefrom and any other assets contributed to the RCA Trust.

Participation Criteria

A Listed Member who voluntarily terminates employment before attaining age 55 will not participate under the RCA Trust and will not be entitled to any benefits thereunder. Such a Listed Member will be entitled to payment of his benefits in accordance with the relevant Plan provisions.

A Listed Member who is terminated for cause before age 55 will not participate under the RCA Trust and will not be entitled to any benefits thereunder. Such a Listed Member will not be entitled to any benefit under any Plan.

If a Listed Member is either a citizen of the United States or classified as a resident alien for purposes of the United States federal income tax (in either case, a "US taxpayer"), on the date the Listed Member attains age 55, then neither the Listed Member nor the Listed Member's surviving spouse or beneficiary is entitled to any benefits under the RCA Trust, except as provided below.

If a Listed Member who was a US taxpayer when the Listed Member reached age 55 later ceases to be a US taxpayer, the Listed Member and the Listed Member's surviving spouse or beneficiary may be covered under the RCA Trust, pursuant to terms to be agreed upon with the Companies in writing, but the amount of the Listed Member's benefit under the RCA Trust shall not include any benefit earned under the Plans while the Listed Member was a US taxpayer, or while the Listed Member was working in the United States other than as a US taxpayer if the Listed Member's compensation at such time was subject to the United States federal income tax.

If a Listed Member who is not a US taxpayer when the Listed Member reaches age 55 subsequently becomes a US taxpayer, the Listed Member's benefit (and that of the Listed Member's surviving spouse or beneficiary) shall not exceed the Listed Member's share of the assets of the RCA Trust on the day immediately before the day the Listed Member becomes a US taxpayer, without regard to any increase in the assets of the RCA Trust, the amount of the Letter of Credit or the Listed Member's benefit under the Plans, after such day.

The preceding provisions are intended to preclude a US taxpayer from being subject to United States federal income tax upon the transfer of assets to the RCA Trust pursuant to either Section 83(a) or Section 409A(b)(1) of the Internal Revenue Code or any successor provision, and shall be construed in a manner consistent with such intent. The preceding provisions shall also apply to a Vested Survivor who either is a US taxpayer on the date on which the Listed Member would have reached age 55, or who becomes a US taxpayer after such date.

Vesting Criteria

A Listed Member, other than one excluded from participation under the RCA Trust in the Section "**Participation Criteria**" (above), is an Eligible Member. An Eligible Member who attains age 55 is vested in his or her benefits under the RCA Trust ("Vested Member").

If an Eligible Member dies prior to age 55, his surviving spouse or beneficiary who is entitled to benefits under the Plans shall be vested in his or her benefits under the RCA Trust on the date the Eligible Member would have attained age 55 ("Vested Survivor").

Where a Vested Member dies, his or her surviving spouse or beneficiary who is entitled to benefits under the Plans shall be vested under the RCA Trust.

Annual Valuation Reports

For each 12-month period commencing April 1 and ending March 31 ("Valuation Year"), an actuarial valuation report will be prepared in connection with the RCA Trust, with an effective date of April 1. The report will be prepared in accordance with the actuarial methods and assumptions described in Appendix "C". The first valuation report will be for the period from April 1, 2011 to March 31, 2012.

Benefits to be Valued

Face Amount until October 1 of Valuation Year

The actuarial report will value the benefits under the Plans for Eligible Members who have attained age 55 as of the first day of the period covered by the report, as well as for beneficiaries of Vested Members who died before the first day of the period. It will value the benefits of these Eligible Members and beneficiaries under the Plans accrued to the first day of the period and also their benefits expected to be accrued to the last day of the period. The greater of those two amounts will be taken into account in the calculation of the face amount of the Letter of Credit.

The actuarial report will also value the benefits under the Plans for Eligible Members, who will attain age 55 after April 1 of the period and on or before September 30 of that period. It will value the benefits under the Plans of those Eligible Members accrued to the first day of the

period and also the benefits expected to be accrued to the last day of the period. The greater of those two amounts will be taken into account in the calculation of the face amount of the Letter of Credit.

The actuarial report will also value the benefits of those individuals who are Vested Survivors as of April 1 and those who will become Vested Survivors on or before September 30 of the period of the actuarial report.

Possible increase on October 1

The amount of the Letter of Credit will be increased as of October 1 of the period covered by the actuarial report to reflect the benefits of any Eligible Members who will attain age 55 after September 30 of the period and on or before March 31 of that period. The actuarial report will value the benefits under the Plans for any such Eligible Members accrued to October 1 of the period, as well as the benefits expected to be accrued to the last day of the period. The amount of the increase in the Letter of Credit would reflect the greater of those two amounts for each such Eligible Member. The amount of the Letter of Credit will also be increased to reflect the value of the benefits under the Plans for any individuals who will become Vested Survivors after September 30 of the period and on or before March 31 of that period.

Vested and Secured Beneficiary

Even though an Eligible Member may be covered under an actuarial report and even though the face amount of the Letter of Credit may include the liabilities of the Plan benefits for such a Member, no Eligible Member is entitled to any benefits under the RCA Trust, as on any particular time, unless the Eligible Member is a Vested Member at that particular time. Even though an individual expected to become a Vested Survivor may be covered under an actuarial report and even though the face amount of the Letter of Credit may include the liabilities of the Plan benefits for such an individual, no such individual is entitled to any benefits under the RCA Trust, at any given time, unless the individual is a Vested Survivor at that time.

A “Vested and Secured Beneficiary”, as of any time, is an individual who is:

- (a) a Vested Member at that time;
- (b) a person claiming in respect of a Vested Member at that time;
- (c) a Vested Survivor at that time.

Amount of Letter of Credit

The face amount of the Letter of Credit for the period from April 1 to September 30 of each year after 2011 (for the first year of the RCA Trust, for the period from the issuance of the first Letter of Credit to March 31, 2012) will be the Corporate Liability, namely the product of the Funding Ratio and the Full Corporate Liability as of April 1 of the year.

The Funding Ratio is the amount, determined by Resolute FP Canada Inc. but always no greater than one, that represents the weighted average solvency ratio for all defined benefit pension plans registered under the Income Tax Act (Canada) sponsored by the Companies for its non-union Canadian employees, based on the data contained in the latest actuarial reports filed with the pension regulators, projected as required to a date that is no later than December 31 of the year immediately before the relevant Valuation Year. For purposes of determining the

face amount of the Letter of Credit, the Funding Ratio can never decrease, from one year to the next.

Notwithstanding the above definition of Funding Ratio, effective April 1, 2012, the Funding Ratio is fixed at one (1). For purposes of determining the face amount of the Letter of Credit, the Funding Ratio can never decrease, from one year to the next.

The Full Corporate Liability is determined in accordance with Appendix "D".

The face amount of the Letter of Credit will be increased on October 1 of each year where Eligible Members attain age 55 on or after that October 1 but before April 1 of the following year ("qualifying Eligible Members"), and where individuals become Vested Survivors on or after that October 1 but before April 1 of the following year ("qualifying individuals"). In that event, the Face Amount of the Letter of Credit will be increased by the product of the Funding Ratio and the amount determined by:

1. calculating the greater of the actuarial present value of the benefits of a qualifying Eligible Member or a qualifying individual as of October 1 and the actuarial present value of the benefits of that qualifying Eligible Member or qualifying individual, as the case may be, as of March 31 of the following year; and
2. aggregating all amounts determined under item 1.

Notwithstanding the above, the Face Amount of the Initial Letter of Credit will include the increase described above and calculated as at October 1, 2011.

Responsibilities of the Companies

The Companies will secure the issuance of the Initial Letter of Credit as soon as practicable after entering into the RCA Trust Agreement with a Trust Company. That Letter of Credit will expire on March 31, 2012. Before expiry of the Initial Letter of Credit, the Companies will renew the Initial Letter of Credit, or secure the issuance of a replacement Letter of Credit, for another period of one year. The face amount of the renewed or replacement Letter of Credit will be determined in the manner described above, with adjustment as needed on October 1, 2012.

The Companies are responsible for renewing or replacing Letters of Credit in this manner as long as benefits are payable under the Plans with respect to Eligible Members. Specifically, the Companies are responsible:

1. to pay the required Letter of Credit certification fees to the RCA Trustee and otherwise to secure the issuance, renewal, replacement or increase, as required, of the Letter of Credit;
2. to provide the annual actuarial report to the RCA Trustee at least 15 days before the expiry date of the Letter of Credit;
3. to pay the required Refundable Tax on any payments to the RCA Trustee.

Events of Default

Where a Full Event of Default occurs, the Letter of Credit is called and the proceeds are paid to the RCA Trust unless the Full Event of Default is cured in accordance with the provisions of the Trust Agreement. The RCA Trustee then distributes the funds in the RCA Trust, in accordance with a Wind-up Report prepared as of the date of the Event of Default, to the Vested and Secured Beneficiaries.

Where a Partial Event of Default occurs, a partial call is made under the Letter of Credit and the proceeds of the partial call are paid to the RCA Trust to remedy the Partial Event of Default.

The definitions of a Full Event of Default and a Partial Event of Default are found in the Trust Agreement. As indicated, the Trust Agreement is in substantially the same form as the agreement attached hereto as Appendix "B", as amended from time to time in accordance with the Security Protocol.

Any modification to the Funding Ratio is not permitted and any such purported modification will be considered an amendment that would reduce or impair the effectiveness of the security provided or to be provided under the Arrangement, contrary to section 17.1 of the Trust Agreement and, as such, a Full Event of Default.

Wind-up Report

In accordance with the RCA Trust Agreement, where a Full Event of Default occurs, and unless the Full Event of Default is cured as described above, the Letter of Credit is called and the proceeds are paid to the RCA Trust. The RCA Trustee then distributes the funds in the RCA Trust, in accordance with a Wind-up Report prepared as of the date of the Full Event of Default, to the Vested and Secured Beneficiaries.

The RCA Trust assets are distributed in the order described in the Trust Agreement.

The Wind-up Report will be prepared in accordance with the actuarial methods and assumptions described in Appendix "C", but by replacing the Cut Off Date with the effective date of the Full Event of Default.

Amendment and Contingent Rights

The Companies do not have the right to amend the RCA so as to reduce or impair the rights of any person under the RCA or so as to reduce or impair the effectiveness of the security provided in accordance with the Security Protocol. To do so constitutes a Full Event of Default.

This protection extends to the contingent rights to the provision of security under this Security Protocol to Eligible Members, once they attain age 55, to those persons who become Vested Survivors, once the Eligible Members in respect of whom they claim would have attained age 55, and to any other person, once that person meets the criteria for the provision of security. The Companies could not, for example, amend the Security Protocol to exclude from the RCA Trust Agreement any Eligible Member who, as of the date of the amendment, had not yet attained age 55.

The RCA consists of the Plans, the Security Protocol and the RCA Trust Agreement. For greater certainty, the prohibition against amendments to the RCA extends to any of its constituent components.

IN WITNESS WHEREOF, the Companies hereto have executed this Agreement by their duly authorized officers.

RESOLUTE FOREST PRODUCTS INC.
(Formerly known as AbitibiBowater Inc.)

RESOLUTE FP CANADA INC.
(Formerly known as AbiBow Canada Inc.)

By: _____
Name: Richard Garneau
Title: CEO
Date:

By:
Name: Richard Garneau
Title: CEO
Date:

By: _____
Name: Pierre Laberge
Title: SVP - HR
Date:

By:
Name: Pierre Laberge
Title: SVP - HR
Date:

Listed Members

Barber, Roger
Cayouette, Patrice
Cole, Gordon
Corbin, Jean
Dahl, Carl
Dea, Allen
Demers, Gilbert
Drapeau, Luke
Gartshore, Jim
Gauvin, Linda
Gélinas, Christian
Girard, Michel
Grandmont, Alain
Guillot, Jean-François
Harrison, John
Harvey, William
Houde, Louis
Jones, Tommy
Kerr, William
Kursman, Seth
Laberge, Daniel
Laflamme, Yves
Leclair, Michel
Longval, Sylvain-Yves
Maher, Blake
Maillé, Michel
Murray, Thomas D.
Piché, André
Ranger, Luc
Rougeau, Pierre
Smart, Michael W.
Vachon, Jacques

**RETIREMENT COMPENSATION ARRANGEMENT
TRUST AGREEMENT**

(WITH LETTER OF CREDIT)

BETWEEN

ABIBOW CANADA INC. AND ABITIBIBOWATER INC.

- and -

CIBC MELLON TRUST COMPANY

AbiBow Canada Inc. and AbitibiBowater Inc. RCA

**Dated as of the __ day of _____, 2011,
Effective as of the ____ day of _____, 2011.**

THIS RETIREMENT COMPENSATION ARRANGEMENT TRUST AGREEMENT dated as of the ____ day of _____, 2011, effective as of the ____ day of _____, 2011.

BETWEEN:

AbiBow Canada Inc., a company incorporated under the laws of Canada and formerly known as Abitibi-Consolidated Company of Canada ("AbiBow"), and **AbitibiBowater Inc.**, a company incorporated under the laws of the State of Delaware ("AbitibiBowater"),

- and -

CIBC Mellon Trust Company, a trust company existing under the laws of Canada (the "Trustee")

WHEREAS:

- a) AbiBow and AbitibiBowater (the "Companies") have established two supplemental executive retirement plans to provide defined benefits to certain of their employees, namely the AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan and the AbiBow Canada SERP (collectively referred to as the "Plans");
- b) the Companies have resolved to secure the benefits provided under the Plans in accordance with a Security Protocol established by the Companies for that purpose;
- c) the Companies intend that the Plans, Security Protocol and trust fund to be settled as provided herein together will constitute a retirement compensation arrangement as defined in subsection 248(1) of the *Income Tax Act* (Canada) called the AbiBow Canada Inc. and AbitibiBowater Inc. RCA (which arrangement, as amended from time to time, is hereinafter referred to as the "Arrangement");
- d) the Companies wish to establish a trust fund for the purposes of the Arrangement and to appoint the Trustee as trustee and custodian of the Fund (as herein defined) and the Trustee has agreed to act in such capacities subject to the terms and conditions hereof;
- e) the Companies wish to secure payments required under the Plans by a Letter of Credit (as herein defined) in accordance with the Security Protocol and the terms of this Agreement; and
- f) the Companies and the Trustee have agreed to enter into this Agreement to:
 - (i) provide for the appointment and duties of the Trustee as trustee and custodian; and
 - (ii) establish the Fund.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto the parties each intending to be legally bound, agree as follows:

SECTION 1

INTERPRETATION

1.1 Definitions.

This Agreement is hereby made part of the Arrangement. The terms used herein shall have the following meanings:

- a) “Actuarial Report”, for a Valuation Year, means a written report prepared in accordance with the Security Protocol wherein the Actuary sets out the amount of the benefits under the Plans of each Beneficiary as of each Determination Date in the Valuation Year and calculates the Corporate Liability, as of each Determination Date.
- b) “Actuary” means a fellow of the Canadian Institute of Actuaries (who may be a member of a firm of consulting actuaries) which is from time to time appointed as actuary of the Arrangement by the Company or, on or after a Full Event of Default, by the Trustee.
- c) “Administrator” means the Company designated by the Companies jointly to be the administrator of the Arrangement. Such a designation shall only be changed by another designation jointly made by the Companies.
- d) “Affiliate” means with respect to a party that party’s affiliated companies within the meaning of the *Business Corporations Act* (Ontario) (“OBCA”), and with respect to the Trustee only, Affiliate shall be deemed, for the purposes of this Agreement only, to include Canadian Imperial Bank of Commerce, CIBC Mellon Global Securities Services Company and The Bank of New York Mellon and each of their affiliates within the meaning of the OBCA.
- e) “Agreement” means this agreement, including any and all amendments and schedules hereto and thereto.
- f) “Applicable Laws” means any domestic or foreign tax or other legislation and any regulations, policies or administrative practices of any domestic or foreign regulatory authority, as may from time to time apply to the Fund or any other part of the Arrangement.
- g) “Arrangement” means the Plans, the Security Protocol and the trust fund settled herein.
- h) “Authorized Instructions” means all directions and instructions from an Authorized Party provided in accordance with Section 5.2.
- i) “Authorized Party” means any person or entity properly identified to the Trustee in accordance with Section 5.1.

- j) “Bank” means a Schedule I bank under the *Bank Act* (Canada).
- k) “Beneficiary”, at any time, means a Secured Member at that time or a person entitled to benefits under the Plans in respect of a person who was a Secured Member before that time and includes a Secured Survivor as at that time.
- l) “Business Day” means each day other than a Saturday, Sunday, a statutory holiday in Ontario or any day on which the principal chartered banks located in Toronto are not open for business during normal banking hours.
- m) “Companies” means AbiBow Canada Inc. and AbitibiBowater Inc. and Company means either one of them.
- n) “Corporate Liability”, as of a Determination Date, means the Full Corporate Liability as of the Determination Date, as set out in the Actuarial Report for the Valuation Year that contains the Determination Date, multiplied by the Funding Ratio for the Actuarial Report.
- o) “Corporate Liability”, as of the particular date of a Full Event of Default, means the Full Corporate Liability, as of the particular date, as set out in the Wind-up Report prepared in connection with the Full Event of Default.
- p) “Determination Date” means April 1, 2011, October 1, 2011 and/or an anniversary of each such date.
- q) “Effective Date” means [_____, **2011**], being the date on which the Initial Letter of Credit is to be issued.
- r) “Eligible Member” means a member of a Plan who is eligible to participate in the Arrangement, as determined by the Company in accordance with the Security Protocol.
- s) “Expiry Date” shall have the meaning attributed to it in Section 3.8.
- t) “Event of Default” means an event or sequence of events described in Section 4.1.
- u) “Full Event of Default” means an Event of Default described in any of paragraphs c) through j) of Section 4.1.

- v) "Full Corporate Liability", as of a Determination Date that is April 1, means the amount determined in the Actuarial Report for the Valuation Year commencing on that April 1, prepared in accordance with the Security Protocol, that is the total of
- i) the aggregate of all amounts each of which is the greater of:
 - A) the actuarial present value of the benefits under the Arrangement that will have accrued to the Determination Date with respect to an individual who is a Beneficiary as at the Determination Date; and
 - B) the actuarial present value of the benefits under the Arrangement that will have accrued with respect to the individual to March 31 of the Valuation Year; and
 - ii) the amount estimated by the Actuary to be the amount of expenses payable in order to disburse the Fund on the occurrence of an Event of Default;
- less the sum of:
- iii) the value of any Property held by the Fund (other than the Letter of Credit) at the date the applicable Actuarial Report is prepared, other than the right to claim a refund of Refundable Tax; and
 - iv) the actual balance, if any, in the Refundable Tax account with the Canada Revenue Agency for the Arrangement at the date the applicable Actuarial Report is prepared.
- w) "Full Corporate Liability", as of a Determination Date that is October 1 of the Valuation Year commencing on April 1 of that Valuation Year, means the amount determined in the Actuarial Report for the Valuation Year, prepared in accordance with the Security Protocol, that is the total of
- i) the Full Corporate Liability, as of April 1 of the Valuation Year, and
 - ii) with respect to individuals who become Beneficiaries as of October 1 of the Valuation Year, the aggregate of all amounts each of which is the greater of:
 - A) the actuarial present value of the benefits under the Arrangement that will have accrued to the Determination Date with respect to such an individual and
 - B) the actuarial present value of the benefits under the Arrangement that will have accrued with respect to the individual to March 31 of the Valuation Year.

- x) "Full Corporate Liability", as of the particular date of a Full Event of Default, means the amount determined in the Wind-up Report prepared in connection with the Full Event of Default and in accordance with the Security Protocol, that is the total of
- i) the aggregate of all amounts each of which is the actuarial present value of the benefits under the Arrangement that have accrued to the particular date to a Vested and Secured Beneficiary as of the particular date; and
 - ii) the amount estimated by the Actuary to be the amount of expenses payable in order to disburse the Fund after the occurrence of the Full Event of Default;
- less the sum of:
- iii) the value of any Property held by the Fund (other than the Letter of Credit) at the particular date, other than the right to claim a refund of Refundable Tax; and
 - iv) the balance, if any, of the Refundable Tax account with the Canada Revenue Agency for the Arrangement at the particular date.
- y) "Fund" means the Property held pursuant to this Agreement as such shall exist from time to time together with any earnings, profits, increments and accruals arising therefrom, including all amounts delivered to and accepted by the Trustee from any prior trustee or other funding agent, less any payments and disbursements.
- z) "Funding Ratio", in relation to an Actuarial Report for a Valuation Year, means the greater of:
- i) the amount determined by AbiBow Canada Inc. that represents the average solvency ratio, for all pension plans registered under the Income Tax Act (Canada) sponsored by the Companies for their non-union Canadian employees, based on data contained in the latest actuarial reports on file with the pension regulators, projected as required to a date no later than that December 31 of the year immediately preceding the Valuation Year; and
 - ii) the Funding Ratio, if any, determined for the purposes of the Actuarial Report for a preceding Valuation Year.
- aa) "Increase Fee" has the meaning ascribed thereto in Section 3.4.
- bb) "Initial Fee" means the amount of [\$ _____], the amount of the initial contribution less the Refundable Tax of [\$ _____].

- cc) "Initial Letter of Credit" has the meaning ascribed thereto in Section 3.2.
- dd) "Investment Manager" means an investment manager with respect to the Fund which has been appointed by the Administrator as provided in Section 7.2. For greater certainty, an Affiliate of the Trustee may be an Investment Manager.
- ee) "Letter of Credit" means:
- i) the Initial Letter of Credit;
 - ii) any Replacement Letter of Credit; or
 - iii) any renewal or amendment of the Initial Letter of Credit or the Replacement Letter of Credit in force from time to time during the term of this Agreement,
- that satisfies the requirements of Section 3.8.
- ff) "Partial Event of Default" means an Event of Default described in paragraph a) or b) of Section 4.1.
- gg) "Plans" means the AbitibiBowater 2010 Canadian DB Supplemental Executive Retirement Plan and the AbiBow Canada SERP.
- hh) "Property" means all tangible and intangible assets and property of the Fund of any nature or type and includes cash, Securities and Real Estate.
- ii) "Real Estate" means direct or indirect investments or interests in real property, leaseholds, mineral interests or participation in real estate investment trusts or corporations, provided that investments in shares or ownership interests that, at the time of acquisition by the Fund, are traded on a public securities exchange shall be deemed not to constitute "Real Estate".
- jj) "Refundable Tax" means the tax required to be withheld on contributions under a retirement compensation arrangement pursuant to paragraph 153(1)(p) of the Tax Act and the regulations thereunder.
- kk) "Renewal Fee" has the meaning ascribed thereto in Section 3.4.
- ll) "Replacement Fee" has the meaning ascribed thereto under Section 3.6.
- mm) "Replacement Letter of Credit" has the meaning ascribed thereto in Section 3.6.

- nn) "Secured Member" means
- i) as of April 1 of any year after 2010, a Vested Member as of April 1 of that year, and includes an Eligible Member who will become a Vested Member on or before September 30 of that year; and
 - ii) as of October 1 of any year after 2010, a Vested Member as of October 1 of that year, and includes an Eligible Member who will become a Vested Member on or before March 31 of the immediately following year.
- oo) "Secured Survivor" means
- i) as of April 1 of any year after 2010, a Vested Survivor as of April 1 of that year, and includes a person who will become a Vested Survivor on or before September 30 of that year; and
 - ii) as of October 1 of any year after 2010, a Vested Survivor as of October 1 of that year, and includes a person who will become a Vested Survivor on or before March 31 of the immediately following year.
- pp) "Security" has the meaning ascribed to that term in the *Securities Act* (Ontario).
- qq) "Security Protocol" means the policies adopted by the Companies in order to secure the benefits payable in accordance with the Plans.
- rr) "Tax Act" means the *Income Tax Act* (Canada) and all regulations and policies thereto, as amended and/or restated from time to time. Any reference in this Agreement to a provision of the Tax Act includes any successor provision thereto.
- ss) "Tax Obligations" means the responsibility for payment of taxes (including related interest and penalties), withholding of taxes, certification, reporting and filing requirements, claims for exemptions or refunds and other related expenses of the Fund.
- tt) "Valuation Year" means the 12 month period commencing on April 1 of a calendar year and ending on March 31 of the immediately following calendar year.
- uu) "Vested Member", at any time, means an Eligible a Secured Member who has attained age 55 at that time.
- vv) "Vested Survivor", at any time, means an individual entitled to benefits under a Plan in respect of an Eligible Member who died before attaining age 55, where the Eligible Member would have attained age 55 at that time.

ww) "Vested and Secured Beneficiary", at any time, means

- i) a Vested Member at that time;
 - ii) a person entitled to benefits under the Plans in respect of a person who was a Vested Member before that time; and
 - iii) a Vested Survivor at that time.
- xx) "Wind-up Report" means the written report prepared in accordance with the Security Protocol wherein the Actuary sets out the amount of the benefits under the Plans with respect to each Vested and Secured Beneficiary as of the date of a Full Event of Default, and calculates the Full Corporate Liability, as of that date.

1.2 Interpretation.

Words importing the singular number shall include the plural and vice-versa. All references to sections and schedules are to sections and schedules to, and forming part of, this Agreement.

1.3 Liability of Companies

Each Company agrees to be jointly and severally liable for the duties and obligations of the Companies and the actions of the Administrator under this Agreement.

SECTION 2

ESTABLISHMENT AND ACCEPTANCE OF TRUST FUND; APPOINTMENT OF TRUSTEE AND CUSTODIAN

2.1 Appointment of Trustee and Custodian and Acceptance of Trust Fund.

The Companies hereby establish the Fund with the Trustee and appoints the Trustee as trustee of the Fund consisting solely of such Property acceptable to the Trustee as shall from time to time be paid or delivered to the Trustee. Such appointment shall be effective immediately following the removal or resignation of the Prior Trustee. The Trustee hereby accepts the trusts herein set out and agrees to hold, invest, distribute and administer the Fund upon the terms and conditions of this Agreement. The Trustee hereby acknowledges that it is the custodian of the Arrangement as that term is defined in the definition of retirement compensation arrangement in subsection 248(1) of the Tax Act. The Trustee shall have no liability or responsibility for any Property until it in fact is received by it or any subcustodian.

Except as otherwise directed by the Administrator, the Trustee shall establish a custody account in the name of the Trustee for the account of the Fund in which the Trustee shall deposit or cause to be deposited the assets of the Fund as the Trustee may from time to time determine.

2.2 Tax on Contributions.

The Companies shall withhold from their contributions to the Fund all taxes required by any law or by the administration thereof to be withheld including, without limitation, any applicable Refundable Tax, and shall remit such taxes to the appropriate taxing authority as so required. The contributing Company shall provide to the Trustee evidence of such withholding and remittance if such evidence is requested by the Trustee.

Where any Authorized Party, a Beneficiary or the taxation authorities have provided written notice to the Trustee of the failure by a Company to withhold and remit as required the Refundable Tax on any contribution, the Trustee shall so advise the Companies as soon as practicable after receipt by the Trustee of the notice.

SECTION 3

ACTUARIAL REPORT AND LETTER OF CREDIT

3.1 Actuarial Reports.

Prior to the Effective Date, the Administrator shall provide the Trustee with an Actuarial Report for the Valuation Year ending March 31, 2012. Not less than fifteen (15) Business Days prior to the Expiry Date, the Administrator shall provide the Trustee with an Actuarial Report for the Valuation Year commencing on the April 1 immediately following the Expiry Date.

3.2 Payment of Initial Fee.

Prior to the Effective Date, the Companies shall pay the Initial Fee to the Trustee. The Trustee agrees to apply the Initial Fee to purchase from a Bank a letter of credit (the "Initial Letter of Credit") as directed by the Administrator pursuant to an Authorized Instruction. The amount of the Initial Letter of Credit shall not be less than the Corporate Liability as of the Effective Date.

The Companies hereby certify that the Initial Fee received by the Trustee is not less than the amount required to purchase such Initial Letter of Credit.

3.3 Issuance of Initial Letter of Credit.

The Companies shall take all steps necessary to cause the Initial Letter of Credit to be issued on the Effective Date. The Trustee's sole obligation shall be to pay to the applicable Bank the Initial Fee which is received by the Trustee.

3.4 Payment of Renewal Fee.

Not less than fifteen (15) Business Days prior to the Expiry Date, the Companies shall pay to the Trustee additional contributions, the after-tax amount of which is not less than the amount of any applicable renewal fee (the "Renewal Fee") for the Letter of Credit, and shall provide to the Trustee written evidence of the Bank's willingness, upon receipt of the Renewal Fee, to renew the Letter of Credit as of such Expiry Date in an amount equal to the Corporate Liability as of such date and in accordance with the requirements of Section 3.8.

On or before September 15 of each particular year after 2010, the Companies shall pay to the Trustee additional contributions, the after-tax amount of which is not less than the amount of any applicable fee required to increase the face amount of the Letter of Credit (the "Increase Fee"), and, provided the Increase Fee is greater than zero, shall provide to the Trustee written evidence of the Bank's willingness, upon receipt of the Increase Fee, to increase the face amount of the Letter of Credit as of October 1 of the particular year to an amount equal to the Corporate Liability as of that October 1 and in accordance with the requirements of Section 3.8.

3.5 Renewal of Letter of Credit and Increase in Face Amount

The Companies shall take all steps to ensure that the Letter of Credit is renewed and that, if applicable, its face amount is increased on a timely basis. The Trustee's sole obligation shall be to pay to the applicable Bank the Renewal Fee or Increase Fee, as the case may be, which is received by the Trustee.

3.6 Replacement Letter of Credit.

In lieu of renewing a Letter of Credit in accordance with Sections 3.4 and 3.5 and not less than fifteen (15) Business Days prior to the Expiry Date, the Companies may notify the Trustee of their intention to allow such Letter of Credit to expire and to cause a new letter of credit (the "Replacement Letter of Credit") to be issued by a Bank as of such Expiry Date in an amount equal to the Corporate Liability as of such date. At the time of so notifying the Trustee, the Companies shall pay to the Trustee additional contributions, the after-tax amount of which is not less than the amount of the fee for the Replacement Letter of Credit (the "Replacement Fee"). The Companies shall take all steps to ensure that the Replacement Letter of Credit is received by the Trustee not less than ten (10) Business Days prior to such Expiry Date. Such Letter of Credit shall have an effective date which is the date of such expiry. The Trustee's sole obligation shall be to pay to the applicable Bank the Replacement Fee which is received by the Trustee.

In lieu of increasing the face amount of a Letter of Credit in accordance with Sections 3.4 and 3.5 and on or before September 15 of a year, the Companies may notify the Trustee of their intention to cancel such Letter of Credit and to cause a Replacement Letter of Credit to be issued by a Bank as of October 1 of the year in an amount equal to the Corporate Liability as of that October 1. At the time of so notifying the Trustee, the Companies shall pay to the Trustee additional contributions, the after-tax amount of which is not less than the Replacement Fee. The Companies shall take all steps to ensure that the Replacement Letter of Credit is received by the Trustee on or before September 20 of the year. Such Letter of Credit shall have an effective date which is the date of cancellation of the Letter of Credit being cancelled. The Trustee's sole obligation shall be to pay to the applicable Bank the Replacement Fee which is received by the Trustee.

3.7 Additional Contributions.

A Company may, in its sole discretion, at any time and from time to time, pay contributions to the Trustee which are in addition to the contributions referred to in Sections 3.2, 3.4 and 3.6. For greater certainty, such additional contributions, together with earnings, profits and increments thereto, shall be taken into account in determining the amount of the Corporate Liability.

3.8 Requirements for Letter of Credit.

The Companies shall ensure that each Letter of Credit shall:

- a) be issued by the Bank in favour of the Trustee;
- b) have a face amount not less than the Corporate Liability as disclosed in the relevant Actuarial Report;
- c) in the case of the Initial Letter of Credit, expire on March 31, 2012 and, in the case of any other Letter of Credit, expire on the first anniversary of the date of issuance or renewal thereof (as the case may be) (the "Expiry Date");
- d) be unsecured;
- e) permit partial drawings thereunder;
- f) be an irrevocable "standby" letter of credit which obligates the Bank to pay any demand for payment made by the Trustee upon the occurrence of an Event of Default; and
- g) provide that the Bank notify the Trustee prior to the expiry of the Letter of Credit.

SECTION 4

EVENTS OF DEFAULT

4.1 *Meaning of Event of Default.*

An Event of Default is any event or sequence of events described in any of paragraphs a) through j) of this Section 4.1:

- a) a Vested and Secured Beneficiary has provided written notice to the Trustee and to the Companies of the failure by a Company to pay any amount owed to the Vested and Secured Beneficiary under the Arrangement together with a statement of the amount due and owing, and the Company has not provided to the Trustee within thirty (30) Business Days of receipt of such notice proof of payment of such amount to the Vested and Secured Beneficiary;
- b) any Authorized Party, a Beneficiary or the taxation authorities have provided written notice to the Trustee of the failure by a Company to withhold and remit as required the Refundable Tax on any contribution and, within ten (10) Business Days of receipt of a notice from the Trustee advising of such failure, the Company has not provided proof satisfactory to the Trustee that the Refundable Tax has been withheld and remitted;
- c) prior to the Expiry Date:
 - i) subject to Section 4.7, the Companies have failed, on or before the fifteenth (15th) Business Day prior to such Expiry Date, to pay to the Trustee a Renewal Fee or to provide the Trustee with written evidence of the Bank's willingness to renew the Letter of Credit as described in Section 3.4;
 - ii) subject to Section 4.7, the Companies have failed, on or before the fifteenth (15th) Business Day prior to such Expiry Date, to pay to the Trustee a Replacement Fee, or a Replacement Letter of Credit is not received by the Trustee on or before the tenth (10th) Business Day prior to such expiry or the Replacement Letter of Credit does not satisfy the requirements of Section 3.8; and
 - iii) based on the Actuarial Report in which the Actuary calculates the Corporate Liability as of such Expiry Date, the amount of the Corporate Liability is greater than nil as of that date;

- d) in any year after 2011,
- i) subject to Section 4.7, where the relevant Increase Fee is greater than zero, the Companies have failed, on or before September 15 of the year, to pay to the Trustee the Increase Fee or to provide the Trustee with the written evidence of the Bank's willingness to increase the face amount of the Letter of Credit as described in Section 3.4;
 - ii) subject to Section 4.7, the Companies have failed, on or before September 15 of the year, to pay to the Trustee a Replacement Fee, or a Replacement Letter of Credit is not received by the Trustee on or before September 20 of the year or the Replacement Letter of Credit does not satisfy the requirements of Section 3.8;
 - iii) based on the Actuarial Report in which the Actuary calculates the Corporate Liability as of the Expiry Date, the amount of the Corporate Liability is greater than nil as of that date;
- e) subject to Section 4.7, the Administrator has failed to provide to the Trustee the applicable Actuarial Report not less than fifteen (15) Business Days prior to the Expiry Date;
- f) any Authorized Party or a Beneficiary has provided written notice to the Trustee that a proceeding has been instituted by or against a Company:
- (i) seeking to adjudicate it a bankrupt or insolvent, or
 - (ii) seeking liquidation, dissolution, winding up, reorganization, arrangement, protection, relief or compromise of it or any of its property or debt under any bankruptcy law or any other applicable law relating to insolvency, or compromise of debts or making a proposal with respect to it under any law relating to bankruptcy, insolvency or compromise of debts or other similar laws (including, without limitation, any application under the *Companies' Creditors Arrangement Act* (Canada) or any arrangement or compromise of debt under the laws of its jurisdiction of incorporation)
- and, within (10) Business Days of the receipt of the notice by the Trustee, the Administrator has not provided proof satisfactory to the Trustee that no such proceeding has been instituted or that the proceeding has been withdrawn or otherwise terminated;
- g) the Administrator has provided notice to terminate the Fund under Section 17.3;

- h) a Beneficiary, Eligible Member or person claiming in respect of a deceased Eligible Member has provided written notice to the Trustee and the Companies that a Company has amended or terminated a Plan or the Security Protocol and such Company has not provided to the Trustee within fifteen (15) Business Days of receipt of such notice an officer's certificate from the Companies that the amendment or termination, as the case may be, having regard to any alternative arrangement that may be put in place by the Companies, does not reduce or impair the rights of any Beneficiary, Eligible Member or person claiming in respect of an Eligible Member under the Arrangement, including any contingent right that has yet to vest in the Eligible Member or person on the date of amendment or termination, and does not reduce or impair the effectiveness of the security provided or to be provided under the Arrangement;
- i) an amendment is made to this Agreement that is not in accordance with Section 17.1; and
- j) where the Trustee provides written notice of resignation in accordance with Section 17.2, a successor trustee is not appointed by the Administrator within thirty (30) Business Days of receipt by the Administrator of the notice.

4.2 Occurrence of Partial Event of Default under Section 4.1 a).

In the event of the occurrence of an Event of Default described in paragraph a) of Section 4.1, the Trustee shall demand payment under the Letter of Credit of such amount that, after deduction of any applicable Refundable Tax, shall equal the amount specified in the statement provided by the Beneficiary to the Trustee. Subject to Section 6.2, the Trustee shall pay to the Vested and Secured Beneficiary the amount received from the Bank (but not to exceed the amount claimed owing by the Beneficiary).

4.3 Occurrence of Partial Event of Default under Section 4.1 b).

In the event of the occurrence of an Event of Default described in paragraph b) of Section 4.1, the Trustee shall demand payment under the Letter of Credit of such amount that, after deduction of any applicable Refundable Tax, shall approximate the amount that the Trustee may be required to pay on the account of tax, interest and penalties as a result of the failure to withhold and remit described in that paragraph. The Trustee shall pay all or any portion of the amount received from the Bank to the taxation authorities and shall pay the balance, if any, as instructed by the Administrator.

4.4 Occurrence of Full Event of Default under Section 4.1 c) through j).

Subject to the terms of Section 4.7, in the event of the occurrence of a Full Event of Default, the Trustee shall demand payment under the Letter of Credit of the balance of the face amount thereof. The Trustee shall advise the Actuary to prepare a Wind-up Report. The Trustee shall credit the amount received from the Bank to the Fund and shall disburse the Fund as follows:

- a) firstly, to pay any amount owing to the Trustee in respect of expenses, fees or compensation (including any taxes that are exigible in connection therewith);
- b) secondly, to pay any other proper charges or taxes applicable to, or levied against, the Fund including tax in respect of the payment under the Letter of Credit or the fees of the appointed Actuary;
- c) thirdly, to pay to each Vested and Secured Beneficiary an amount equal to the actuarial present value of all benefits to which the Vested and Secured Beneficiary is entitled under the Plans, such amount to be determined based on the Wind-up Report received by the Trustee, less the amounts, if any, paid to the Vested and Secured Beneficiary since the date of the Event of Default, provided that if the Fund is not sufficient to pay the amount to which each Vested and Secured Beneficiary is entitled in accordance with the Wind-up Report the remainder shall be paid to the Vested and Secured Beneficiaries pro rata according to such entitlement; and
- d) fourthly, to pay the balance, if any, to, or to the order of, the Company.

Notwithstanding the foregoing, the Trustee shall not be responsible for making any payments as described in c) above unless and until a Wind-up Report is received from the Actuary.

4.5 Reduction of Face Amount of Letter of Credit

Where a Letter of Credit is renewed or replaced in accordance with Section 3.4 or in accordance with Section 3.6, read without reference to the second paragraph thereof, and the face amount of the renewed Letter of Credit or the replacement Letter of Credit, as the case may be, is less than the face amount of the Letter of Credit in force immediately before the renewal or replacement, an Event of Default under Section 4 shall be considered not to occur, by reason of the reduction in the face amount, provided the reduced face amount meets the requirements of the relevant Actuarial Report.

4.6 List of Beneficiaries.

On or before the later of the Effective Date and each Determination Date, the Administrator shall provide to the Trustee a list of the Beneficiaries, Vested and Secured Beneficiaries and Eligible Members as of the later date. Such list shall contain each such persons' full name, Social Insurance Number, current address and other information which the Trustee may reasonably require. The Administrator shall forthwith advise the Trustee in writing of any additions, deletions or changes to such list. The Trustee shall be entitled to rely on the information provided in such list for all purposes of this Agreement including, without limitation, the payment of any amounts by the Trustee to Vested and Secured Beneficiaries under Section 4.4, and the Trustee shall not be under any duty to make enquiries with respect to the accuracy of the information provided in such list.

The Administrator shall provide to the Trustee, as soon as practicable after a Full Event of Default, a list of the Vested and Secured Beneficiaries as of the date of the Event of Default. Such list shall contain each such person's full name, Social Insurance Number, current address and other information which the Trustee may reasonably require. The Trustee shall be entitled to rely on the information provided in such list for all purposes of this Agreement including, without limitation, the payment of any amounts by the Trustee to Vested and Secured Beneficiaries under Section 4.4, and the Trustee shall not be under any duty to make enquiries with respect to the accuracy of the information provided in such list.

4.7 Curing Full Events of Default

Where there has been an Event of Default described in paragraph c) i) or ii), d) i) or ii), or e) of Section 4.1, the Trustee shall forthwith notify the Company in writing of such Event of Default and the Company shall have five (5) Business Days in order to cure such Event of Default, by providing the Trustee with additional payment, a Replacement Letter of Credit, written evidence or an Actuarial Report, as applicable. If the Company has, within such five (5) Business Days cured such Event of Default, the Full Event of Default shall be considered not to have occurred. If the Companies do not cure such Event of Default within five Business Days, on the sixth Business Day, the Trustee shall forthwith demand payment in accordance with Section 4.4.

SECTION 5

INSTRUCTIONS

5.1 *Authorized Parties.*

The Companies shall from time to time furnish the Trustee with a written list of the names, signatures and extent of authority of all persons authorized to direct the Trustee and otherwise act on behalf of the Companies under the terms of this Agreement. The Companies shall also advise the Trustee in writing of the identify of the Administrator jointly designated by the Companies and of any change to such Administrator. The Administrator shall cause each Investment Manager appointed in accordance with Section 7.2 to furnish the Trustee upon such appointment and from time to time with a written list of the names and signatures of the person or persons who are authorized to represent the Investment Manager. The Trustee shall be entitled to rely on, and shall be fully protected in giving effect to, instructions from persons or entities so identified until it has been notified in writing by the Companies, the Administrator or an Investment Manager, as appropriate, of a change of the identity or authority of such person or entities.

5.2 *Authorized Instructions.*

All directions and instructions to the Trustee given pursuant to this Agreement from an Authorized Party shall be forwarded in writing, by facsimile transmission or such other means of transmission as may be agreed upon by the Trustee and the Administrator. Notwithstanding the foregoing, no telephone instructions shall be accepted by the Trustee.

The Trustee shall use reasonable efforts to monitor its facsimile communication facilities but Authorized Instructions are deemed not to be received until the earlier of the time that they are (i) brought to the attention of the officers of the Trustee to which they are addressed; and (ii) 5:00 p.m. (E.S.T.) on the day of transmission if sent before 3:00 p.m. (E.S.T.) on a Business Day or 9:00 a.m.(E.S.T.) on the next Business Day if sent after 3:00 p.m.(E.S.T.) or if not sent on a Business Day.

Unless otherwise expressly provided, each Authorized Instruction shall continue in full force and effect until superseded or cancelled by another Authorized Instruction.

5.3 *Errors, Omissions in Authorized Instructions.*

Any Authorized Instructions shall, as against the Authorized Party given the Authorized Instructions and in favour of the Trustee, be conclusively deemed to be Authorized Instructions for the purposes of this Agreement, notwithstanding any error in the transmission thereof or that such Authorized Instructions may not be genuine, if believed by the Trustee complying with the standard of care described in Section 16.1, to be genuine. Provided however that the Trustee may in its discretion decline to act upon any Authorized Instructions:

- a) that are insufficient or incomplete;
- b) that are not received by the Trustee in sufficient time to give effect to such Authorized Instructions; or

- c) where the Trustee has reasonable grounds for concluding that the same have not been accurately transmitted or are not genuine.

If the Trustee declines to give effect to any Authorized Instructions for any reason set out in the preceding sentence, it shall notify the Administrator or the Investment Manager forthwith after it so declines.

5.4 No Duty.

The Trustee shall be under no duty or obligation to question any Authorized Instruction, to review any Securities or other Property held in the Fund, to make any suggestions with respect to the investment and reinvestment of the assets in the Fund, or to evaluate or question the performance of any Authorized Party. The Trustee shall be fully protected in acting in accordance with Authorized Instructions or for failing to act in the absence of Authorized Instructions.

SECTION 6

PAYMENTS FROM THE TRUST FUND

6.1 Payments from the Fund.

Except as otherwise provided in this Agreement, the Trustee shall make payments from the Fund only pursuant to Authorized Instructions which may direct that such payments be made to any person, including the Companies, or to any paying agent. Upon any such payments being made by the Trustee, the amount thereof shall no longer constitute a part of the Fund. In each instance the Authorized Instructions shall be deemed to include a certification from the Companies to the Trustee that such payments are in accordance with the terms of the Arrangement and Applicable Laws. Where the Trustee demands payment under the Letter of Credit, the amount received by the Trustee from the Bank shall be paid out by the Trustee in accordance with Section 5. Upon any payments being made by the Trustee under this Section 6.1, the amount thereof shall no longer constitute a part of the Fund.

6.2 Payments of Taxes and Expenses.

The Fund shall be responsible for and the Trustee may pay out of the Fund (with or without any Authorized Instructions), all Tax Obligations and financial obligations for environmental or other liability and financial obligations for any liability imposed by a government or a governmental body which are levied or assessed and are legally enforceable against the Trustee in respect of the Fund, or any part thereof, or directly against the Fund or any part thereof, and may withhold from payments out of the Fund, all Tax Obligations required by law or by the administration thereof to be so withheld. The Trustee shall forward to the Administrator copies of written assessments, if any, related to liabilities imposed by a government or a governmental body.

SECTION 7

INVESTMENT

7.1 Investment of the Fund.

The Trustee shall have no responsibility for the investment or reinvestment of the Fund, or for failure to reinvest the Fund and shall have no responsibility for any investment decisions, which shall be the sole responsibility of the Administrator unless otherwise delegated by the Administrator to an Investment Manager in accordance with Section 7.2. The Fund shall be held, invested and reinvested by the Trustee in accordance with Authorized Instructions, whether or not any such investment is of a character authorized by laws concerning investments by trustees. The Trustee shall invest the principal and income of the Fund without distinction between principal and income in such investments as may be directed by Authorized Instructions. The Trustee shall not be responsible for the title, validity or genuineness of any Property or evidence of title thereto received or delivered by it or any defect in ownership or title.

7.2 Investment Managers.

The Administrator may from time to time appoint one or more Investment Managers to manage the investment of any portion of the Fund and, with respect to such portion, to direct the Trustee with respect to settling investment transactions on behalf of the Fund and exercising such other powers as may be granted to Investment Managers. The Administrator shall give prompt written notice of any such appointment, upon which the Trustee shall rely until it receives from the Administrator written notice of the termination of such appointment. In each case where such an appointment is made, the Administrator shall determine the assets of the Fund to be allocated to the applicable Investment Manager from time to time and shall issue Authorized Instructions to the Trustee with respect thereto.

7.3 Investment Monitoring.

It shall be solely the responsibility of the Administrator to determine that all transactions entered into by the Trustee pursuant to Authorized Instructions are authorized by and in compliance with Applicable Laws and that any transaction relating to, or investment of, the Fund's assets if made or retained does not attract any tax or penalty under Applicable Laws (including tax under section 207.1(5) of the Tax Act).

7.4 Fund to be Segregated.

In carrying out its duties and obligations hereunder, the Trustee shall ensure that the Fund shall always be kept separate and distinct from the general assets of the Trustee.

7.5 Cash Balances.

Other than as provided for in any Authorized Instruction, the Trustee may retain any cash balance in the Fund and may, but need not, invest same in Authorized Investments; or hold the same in its deposit department or in the deposit department of one of the Trustee's Affiliates; but the Trustee and its Affiliates shall not be liable to account for any profit to the Companies other than at a rate established from time to time by the Trustee or its Affiliates. For the purposes of this Section 7.5, "Authorized Investments" means short term interest bearing or discount debt obligations issued or guaranteed by the Government of Canada or a Province or a Canadian chartered bank or trust company (which may include the Trustee or an Affiliate or related party or restricted party of the Trustee), provided that each such obligation is rated at least R1

(middle) by Dominion Bond Rating Service Limited or an equivalent rating by an equivalent rating service.

SECTION 8 CONCERNING THE TRUSTEE

8.1 *General Powers and Duties.*

In administering and investing the Fund, the Trustee shall be specifically authorized to:

- a) **Appointment of Sub-Custodians.** Appoint or cause to be appointed domestic or foreign sub-custodians (including Affiliates of the Trustee) as to part or all of the Fund.
- b) **Holding Investments.** Hold or cause to be held Property in nominee name, in bearer form, or in book entry form, in a clearinghouse corporation or in a depository (including an Affiliate of the Trustee), provided that the Trustee's records clearly indicate that the assets held are a part of the Fund and provided that the Trustee shall not be responsible for any losses resulting from the deposit or maintenance of Securities or other Property (in accordance with market practice, custom or regulation) with any recognized foreign or domestic clearing facility, book entry system, centralized custodial depository, or similar organization.
- c) **Collection of Income and Proceeds.** Collect income payable to and distributions due to the Fund and sign on behalf of the Fund any declarations, affidavits, certificates of ownership and other documents required to collect income and principal payments, including but not limited to, tax reclamations, rebates and other withheld amounts and collect proceeds from Securities or other Property, which may mature, provided that whenever a Security or other Property offers the Trustee the option of receiving dividends in shares or cash, the Trustee is authorized to select the cash option unless the Trustee receives Authorized Instructions to the contrary provided that the Trustee shall not be responsible for the failure to receive payment of (or late payment of) distributions with respect to Securities or other Property held in the Fund.
- d) **Redemption of Securities.** Present for redemption or exchange any Securities or other Property which may be called, redeemed, withdrawn or retired provided that timely receipt of written notice of the same is received by the Trustee from the issuer.
- e) **Employment of Agents, Advisors and Counsel.** Employ agents, advisors and legal counsel, who may be counsel for a Company, and, as a part of its reimbursable expenses under this Agreement, pay their reasonable fees and expenses.

- f) **Executing Instruments.** Make, execute and deliver any and all documents, agreements or other instruments in writing as are necessary or desirable for the accomplishment of any of the powers and duties in this Agreement.
- g) **Determine Value.** Determine the fair market value of the Fund on each Valuation Date, in accordance with methods consistently followed and uniformly applied provided that in determining fair market value of the Fund, the Trustee shall be entitled to rely on and shall be protected in relying on values provided by Authorized Parties and other pricing sources.
- h) **Borrowing.** Borrow (including borrowing from the Trustee), but only to the extent necessary to carry out Authorized Instructions.
- i) **Delivery of Securities.** Accept delivery of Securities and other Property free of payment. With respect to any Authorized Instruction to receive Securities or other Property for transactions not placed through the Trustee, the Trustee shall have no duty or responsibility to take any steps to obtain delivery of the Securities or other Property from brokers or others either against payment or free of payment except that the Trustee shall accept delivery of Securities or other Property in good, deliverable form in accordance with the Authorized Instructions when presented by a delivering party.
- j) **Power to do any Necessary Act.** Subject to compliance with the standard of care described in Section 16.1, generally take all action, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the fulfillment of its duties hereunder.
- k) **Self Dealing.** Deal with any person which is an Affiliate of the Trustee, in which event neither the Trustee nor the Affiliate shall be accountable for any profit earned in the course of such dealing.

The powers described in this Section 8.1 may be exercised by the Trustee with or without Authorized Instructions, but where the Trustee acts on Authorized Instructions, the Trustee shall be fully protected as described in Section 15.1. Without limiting the generality of the foregoing, the Trustee shall not be liable for the acts of any person appointed under paragraphs (a) and (e) of this Section 8.1 pursuant to Authorized Instructions.

8.2 *Proxies.*

The Trustee shall submit or cause to be submitted to the Administrator or such Investment Manager, as designated by the Administrator pursuant to Authorized Instructions, or, in the absence of Authorized Instructions, to the person or entity charged with the investment responsibility for the asset to which the communication relates, as the case may be, for appropriate action any and all proxies, proxy statements, notices, requests, advice or other communications actually received by the Trustee (or its nominees) as the record owner of Securities or other Property forming part of the Fund. Notwithstanding the foregoing, the Trustee shall be under no duty to investigate, participate in or take affirmative action concerning attendance at meetings, voting, subscription, conversion or other rights attaching to or derived

from Securities or other Property comprising the Fund or concerning any merger, consolidation, reorganization, receivership, bankruptcy or insolvency proceedings, compromise or arrangement or the deposit of any Securities or other Property in connection therewith or otherwise, except in accordance with Authorized Instructions, and upon such indemnity and provision for fees and expenses as the Trustee may reasonably require.

SECTION 9

DIRECTED POWERS

9.1 *Directed Powers.*

In addition to the powers enumerated in Section 8.1, the Trustee shall have and exercise the following powers and authority in the administration of the Fund, only upon Authorized Instructions:

- a) **Purchase and Sale of Property.** Purchase and sell and engage in other transactions, including receipts and deliveries, exchanges, exercises, conversions, subscriptions, and other voluntary corporate actions, with respect to Securities or other Property, whether income producing or not.
- b) **Exercise of Owner's Rights.** Vote upon any Securities or other Property; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights, or other options, and to make any payments incidental thereto; to oppose, or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, and to delegate discretionary powers, and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to all Securities or other Property held as part of the Fund provided that the Trustee shall not be required to take any such actions until it has first been indemnified, as applicable, by the Administrator to its reasonable satisfaction against any fees and expenses or liabilities which it may incur as a result thereof.
- c) **Lending.** After the Administrator and the Trustee and/or one of its Affiliates have executed an agreement with respect thereto, enter into securities lending agreements on behalf of the Fund in accordance with the agreement.
- d) **Derivatives.** Purchase, hold, issue, exchange or write derivative products, including without limitation, options and enter into derivative contracts and transactions, including without limitation futures contracts and take any and all actions, including the appointment of agents, necessary to enter into and settle transactions in futures and/or options contracts, short-selling programs, foreign exchange or foreign exchange contracts, swaps and other derivative investments, products or transactions and execute any documents as directed pursuant to Authorized Instructions to give effect to the foregoing including sub-custodial agreements with broker/dealers to hold collateral. Nothing herein shall prevent the Trustee from investing in offsetting positions in options and future contracts.

- e) **Cash Deposits.** Deposit cash in interest bearing accounts in the deposit department of the Trustee, or any banking Affiliate of the Trustee.
- f) **Mortgages.** Renew or extend or participate in the renewal or extension of any mortgage, amend the rate of interest on any mortgage or agree to any other modification or change in the terms of any mortgage or of any guarantee pertaining thereto, waive any default whether in the performance of any covenant or condition of any mortgage, or in the performance of any guarantee, or enforce any rights in respect of any such default; exercise and enforce any and all rights of foreclosure, bid on property for sale or foreclosure, take a conveyance in lieu of foreclosure with or without paying consideration therefore and in connection therewith release the obligation on the covenant secured by such mortgage and exercise and enforce in any action, suit, or proceeding at law or in equity any rights or remedies in respect of any such mortgage or guarantee.
- g) **Pooled Funds.** Invest in any pooled or common investment fund, including a pooled or common investment fund maintained by the Trustee or any of its Affiliates.
- h) **Real Estate.** Invest in Real Estate and exercise such other powers as may be required in connection with the Fund's investments in Real Estate.
- i) **Nominate Directors.** Nominate members of the boards of directors of corporations, and appoint representatives or trustees in connection with investments of the Fund whenever or wherever such right of nomination or appointment is available.
- j) **Insurance Contracts.** Enter into an insurance contract or contracts for the purpose of funding the benefits under the Arrangement in whole or in part.
- k) **Dealing with Claims.** Settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Fund and commence or defend suits or legal or administrative proceedings and represent the Fund in all suits and legal and administrative proceedings in any court or before any other body or tribunal as the Trustee shall deem necessary to protect the Fund provided that the Trustee shall not be obligated to do so until it has first been indemnified by the Administrator to its reasonable satisfaction against any fees and expenses or liabilities which it may incur as a result thereof.

9.2 *Contractual Income.*

The Trustee shall credit the Fund with income and maturity proceeds on Securities or other Property on contractual payment date net of any taxes or upon actual receipt as agreed between the Administrator and the Trustee. To the extent the Administrator and the Trustee have agreed to credit income on contractual payment date, the Trustee may reverse such accounting entries with back value to the contractual payment date if the Trustee reasonably believes that such amount shall not be received by it.

9.3 *Contractual Settlement.*

The Trustee shall attend to the settlement of Securities or other Property transactions on the basis of either contractual settlement day accounting or actual settlement day accounting as agreed between the Administrator and the Trustee. To the extent the Administrator and the Trustee have agreed to settle certain Securities or other Property transactions on the basis of contractual settlement date accounting, the Trustee shall be entitled to reverse with back value to the contractual settlement day any entry relating to such contractual settlement where the related transaction remains unsettled in accordance with established procedures.

9.4 *Real Estate Acquisitions.*

Notwithstanding Section 9.1(h), the Administrator shall give the Trustee at least fourteen (14) Business Days' prior notice of any acquisition of Real Estate. Authorized Instructions for the acquisition of Real Estate shall be accompanied by sufficient written material to describe the Real Estate, the nature of the activities carried out on such Real Estate and shall include a phase 1 environmental assessment of such Real Estate.

The Authorized Instructions shall instruct the Trustee to acquire any Real Estate, other than a mortgage, only through a special purpose Administrator, or other entity which limits the liability of the Trustee to the investment by the Fund in the entity, of which the Trustee, in its capacity as Trustee of the Fund, shall be an investor and in respect of which the Trustee shall not be required to provide nominees as directors or officers. The Administrator shall be solely responsible for the establishment and ongoing maintenance of any such special purpose Administrator or other entity and for all tax and other filings with respect thereto.

The Administrator shall comply with the preceding requirements of this Section 9.4 before foreclosing or otherwise taking title to property which is subject to a mortgage in favour of the Trustee, as if the property were a new investment by the Trustee.

9.5 *Settlement of Transactions.*

Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Administrator acknowledges that this may, in certain circumstances, require the delivery of cash or Securities (or other Property) without the concurrent receipt of Securities (or other Property) or cash and, in such circumstances, the Administrator shall have sole responsibility for non-delivery (or late delivery) of Securities or other Property, or for non-receipt of payment (or late payment) by the counterparty.

SECTION 10

OVERDRAFTS

10.1 Overdrafts

If an Authorized Instruction would create a debt owing, overdraft or short position in a portion of the Fund (an “Overdraft”), then the Trustee is authorized to, but not obliged to, act on the Authorized Instructions provided, however, that, if the Trustee so acts, and the Fund fails to repay or redeliver on demand any cash or Securities advanced by or through the Trustee or its Affiliates, the Trustee shall be entitled to apply any cash held in the Fund against any amount owing under this Section 10 and/or dispose of any assets of the Companies or the Fund and to apply any proceeds of such disposal to the payment of any amount due from the Companies or the Fund to the Trustee or its Affiliates against any amount owing under this section. The Trustee shall have a security interest in the Fund in an amount not to exceed the amount of the Overdraft.

Interest on any Overdraft in a Canadian dollar account shall be calculated on the daily balance of the amount owing (before and after demand, default and judgment) at a rate established by the Trustee or an Affiliate as applicable as determined from time to time, subject to such minimum charges as declared from time to time, with interest on overdue interest at the same rate. Interest is payable monthly and shall form part of the Overdraft. Charges on certain foreign currency accounts shall be established by the relevant sub-custodian from time to time using the rates or charges applicable to the relevant foreign market.

10.2 Spot or Forward Contracts.

For the purpose of setting off cash balances of the Fund against Overdrafts outstanding under this Section 10, the Trustee is authorized to enter into spot or forward foreign exchange contracts, as principal or agent, with or for the Administrator or the Fund.

SECTION 11

TAX OBLIGATIONS

11.1 Tax Obligations.

The Trustee shall prepare and file or issue on a timely basis all income tax returns and forms which, by virtue of the Tax Act, a trustee of a retirement compensation arrangement is required to file or issue and, if requested by the Administrator and upon such terms as the Trustee may agree to, such other returns and forms as may be required under Applicable Laws. The Trustee shall make such elections as the Tax Act permits trusts governed by retirement compensation arrangements to make only pursuant to Authorized Instructions of the Administrator. Where a tax return or form is required to be filed or issued or tax is payable as a result of any action of a Company or the Administrator, an employee or former employee of the Company or Administrator, or an Investment Manager, the Company or Administrator, as the case may be, shall inform the Trustee by means of Authorized Instructions that such return or form must be filed or issued or that such tax is payable. To the extent the Trustee is responsible under any Applicable Law for any Tax Obligation and the Trustee does not have the necessary information for the performance of its obligations hereunder, the Administrator shall cause an Authorized Party to provide the Trustee with all information required by the Trustee in respect of such Tax

Obligations. The Trustee shall not be required to prepare, file or issue any return or form unless it has the information necessary to prepare, file or issue such return or form.

The Trustee shall use reasonable efforts, based upon available information, to assist the Authorized Party, to the extent the Authorized Party has necessary information, with respect to any Tax Obligations imposed on the Fund, both domestic and international. The Trustee shall have no responsibility or liability for and shall be indemnified and held harmless by the Administrator for any assistance provided to the Authorized Party and for any Tax Obligations now or hereafter imposed on a Company or the Administrator or the Fund or the Trustee in respect of the Fund by any taxing authorities, domestic or international.

SECTION 12

REPORTING AND RECORDKEEPING

12.1 Accounts and Records.

The Trustee shall keep records with respect to the Fund and such records as directly relate to the Fund shall be open to inspection during reasonable business hours by persons duly authorized by the Administrator provided that prior written notice is given to the Trustee and the Trustee may require that such inspection be conducted in the presence of a representative of the Trustee. To the extent the Trustee is legally obligated to permit any persons other than those authorized by the Administrator to have such access, the Administrator agrees, upon notice from the Trustee, that the Trustee shall provide such persons with access to such records. No persons other than those authorized by the Administrator or those otherwise entitled thereto by Applicable Laws shall have the right to demand or be entitled to any accounting from the Trustee. Except as required by Applicable Laws, no person, except by and through the Administrator may require an accounting or bring any action against the Trustee with respect thereto.

12.2 Reports.

The Trustee shall furnish to the Administrator within ninety (90) days following the close of each Valuation Year or such other period as may be agreed upon between the Trustee and the Administrator, and within ninety (90) days after the removal or resignation of the Trustee or termination of the Fund, a written statement of account setting forth all investments, receipts, disbursements and other transactions effected by it during such period.

12.3 Review of Reports.

If, within eighteen (18) months after the Trustee sends to the Administrator a statement with respect to the Fund, the Administrator has not given the Trustee written notice of any exception or objection thereto, the statement shall be deemed to have been approved, and in such case, the Trustee shall not be liable for any matters contained in such statement.

12.4 Non-Fund Assets.

The duties of the Trustee shall be limited to the Property held in the Fund, and the Trustee shall have no duties or obligations with respect to property held by any other person including, without limitation, any other trustee or funding agent for the Arrangement. The Administrator hereby agrees that the Trustee shall not serve as, and shall not be deemed to be, a co-trustee under any circumstances.

SECTION 13

FORCE MAJEURE

13.1 Force Majeure.

Notwithstanding anything in this Agreement to the contrary contained herein, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Fund resulting from any event beyond the reasonable control of the Trustee, its agents or subcustodians. This Section shall survive the termination of this Agreement.

SECTION 14

COMPENSATION AND EXPENSES

14.1 Fees and Expenses.

The Administrator shall pay to the Trustee for all services under this Agreement the fees as agreed from time to time in writing by the Trustee and the Administrator. The Administrator also agrees to pay all reasonable expenses incurred by the Trustee or its agents in the discharge of their duties under this Agreement.

14.2 Right to Fees and Expenses.

The Trustee is authorized to charge for and collect from the Fund any and all fees and expenses in connection with services provided hereunder or other amounts owing to the Trustee hereunder, unless such fees and expenses are paid directly by the Administrator (including any amount previously paid to the Administrator and for which the Trustee does not receive final payment from the issuer of a Security, and any amounts paid or expenses incurred by the Trustee to settle Securities transactions).

SECTION 15

RESPONSIBILITIES OF THE TRUSTEE

15.1 Reliance on Authorized Instructions.

The Trustee shall be fully protected and is hereby indemnified and held harmless by the Administrator, to the extent not paid by the Fund, in relying and acting upon an Authorized Instruction which it reasonably believes to have been given by an Authorized Party, provided that it has implemented such Authorized Instructions in accordance with the standard of care described in section 16.1, or in failing to act in the absence thereof and shall be under no liability for any application or any actions in respect of the Fund made by it pursuant to such Authorized Instructions and shall not be under any duty of making enquiries with respect to whether any application or any actions in respect of the Fund as directed complies with the terms of the Arrangement or Applicable Laws.

15.2 Investment.

The Trustee shall not be responsible for any loss or diminution of the Fund resulting from the making, retention or sale of any investment or reinvestment made by it in accordance with the Authorized Instructions of the Investment Manager, or the Administrator if no Investment Manager has been appointed, or as herein provided.

15.3 Arrangement Administration.

The Trustee shall have no duty or responsibility with respect to administration of the Arrangement and shall not be responsible for the determination of the accuracy or sufficiency of, or the collection from a Company of, or any contribution to the Fund or the compliance of the same with Applicable Laws or for the sufficiency of the Fund or of any Letter of Credit to meet and discharge any payments and liabilities under the Arrangement. The Administrator shall have the exclusive right and obligation to determine the rights of any person to participate in the benefits from the Fund under the terms of the Arrangement. The Administrator shall be responsible for ensuring that no Authorized Instructions or other directions given to the Trustee shall require the Trustee to use or divert any part of the Fund for purposes other than those which are in accordance with the terms of the Arrangement.

15.4 Real Estate Indemnity.

The Trustee shall have no responsibility or discretion with respect to the ownership, management, administration, operation, care or control of any Real Estate. The Trustee is hereby indemnified by the Administrator, to the extent not paid by the Fund, from all claims, liabilities, losses, damages, and expenses, including reasonable legal and expert's fees and expenses, arising from or in connection with any matter relating to: (i) any violation of any applicable environmental or health or safety law, ordinance, regulation or ruling; or (ii) the presence, use, generation, storage, release, threatened release, or containment, treatment or disposal of any petroleum, including crude oil or any fraction thereof, hazardous substances, pollutants or contaminants or hazardous, toxic or dangerous substances or materials as any of these terms may be defined under any law in the broadest sense from time to time.

15.5 Reliance on Advisors.

The Trustee shall be permitted to rely upon and shall not be liable for actions taken or omitted to be taken on the advice or information of any counsel, advisors, experts, agents or others employed as herein provided (the "Advisors"), provided that the Trustee has selected such Advisors in accordance with the standard of care described in section 16.1.

15.6 Prior Trustees.

The Trustee shall have no duties, responsibilities or liability with respect to the acts or omissions of any prior trustee, or other funding agent or custodian, or their agents.

15.7 Survival.

The provisions of this Section 15 shall survive the termination of this Agreement and the Fund.

SECTION 16

INDEMNIFICATION

16.1 Standard of Care.

Except as otherwise provided in any other general or particular provision of this Agreement, in performing its obligations and duties hereunder, the Trustee shall, in carrying out its obligations under this Agreement, act honestly, in good faith and in the best interest of the Fund and, in connection therewith, exercise the care, diligence and skill that a reasonably prudent financial institution acting in like capacity would exercise in similar circumstances; and further provided that the Trustee shall not be responsible or liable for any losses or damages suffered by the Fund arising as a result of the insolvency of any sub-custodian, except to the extent the Trustee did not comply with the above standard of care in the selection or continued retention of such sub-custodian.

16.2 Indemnification.

The Trustee and its respective officers, directors, employees and agents (the “Indemnified Parties”) are hereby indemnified and held harmless by the Companies, to the extent not paid by the Fund, from any and all taxes, claims, liabilities, damages, costs and expenses of any kind, including reasonable legal and expert's fees and expenses (but excluding consequential losses) arising out of the performance of its or their obligations, as applicable, under this Agreement, except as a result of a breach of the standard of care set forth in Section 16.1.

The Trustee hereby indemnifies and holds harmless the Fund and the Companies from any and all claims, liabilities, damages, costs and expenses of any kind, including reasonable legal and expert's fees and expenses (but excluding consequential losses) arising out of a breach of the standard of care set out in Section 16.1.

The indemnifications set out in this Section 16 shall survive the termination of this Agreement and the Fund.

SECTION 17

AMENDMENT, TERMINATION, RESIGNATION, REMOVAL

17.1 Amendment.

No provision of this Agreement shall be deemed waived, amended or modified by any party unless such waiver, amendment or modification is in writing and signed by the parties hereto and unless, in the reasonable opinion of counsel to the Trustee, the amendment does not reduce or impair the rights of any Beneficiary, Eligible Member or person claiming in respect of a deceased Eligible Member under the Arrangement, including any contingent right that has yet to vest in the Eligible Member or person on the date of the amendment, and such amendment does not reduce or impair the effectiveness of the security provided or to be provided under the Arrangement.

17.2 Removal or Resignation of Trustee.

The Trustee may be removed with respect to all or part of the Fund upon receipt of sixty (60) days' written notice (unless a shorter or longer period is agreed to between the parties hereto) from the Administrator. The Trustee may resign upon ninety (90) days' written notice (unless a shorter or longer period is agreed to between the parties hereto) delivered to the Administrator. In the event of the removal or resignation of the Trustee, a successor trustee or other funding agent permitted under Applicable Laws shall be appointed by the Administrator and shall have the same powers and duties as those conferred upon the Trustee by this Agreement and the retiring Trustee shall transfer the Fund, less such amounts as may be reasonable and necessary to cover its compensation, expenses and any other amount owing hereunder in accordance with Section 14.2. In the event the Administrator fails to appoint a successor trustee within thirty (30) days of receipt of the written notice of resignation, such failure shall constitute an Event of Default and the provisions of Section 4.4 shall apply.

17.3 Termination of the Fund.

The Administrator may terminate the Fund by providing ninety (90) days' prior written notice to the Trustee. Such notice of Termination shall constitute an Event of Default and the provisions of Section 4.4 shall apply.

17.4 Binding on Successor Companies.

Any entity resulting from any merger or consolidation to which either of the Companies may be a party or which succeeds to the business of either of the Companies, or to which substantially all the assets of either of the Companies may be transferred and which becomes party to the Arrangement while the Company continues as a party to this Agreement, shall be the successor to such Company hereunder without any further act or formality with like effect as if such successor entity had originally been named as a Company herein.

17.5 Successor Trustee.

Notwithstanding Section 17.6, the Trustee may assign this Agreement in its entirety, or the Trustee in its capacity only as trustee or custodian may assign only the provisions of the Agreement applicable to the trustee or the custodian, as the case may be, without the consent of the Administrator to any entity which directly or indirectly controls, or is controlled by, or is under common control with the Trustee. Any corporation which shall by merger, consolidation, purchase, or otherwise, succeed to substantially all of the business relevant to this Agreement of the Trustee, as either or both the trustee or the custodian, or to which substantially all of the assets relevant to this Agreement of the Trustee, as either or both the trustee or the custodian, may be transferred, shall be the successor to the Trustee as the trustee or the custodian, as the case may be, hereunder, without any further act or formality with like effect as if such successor trustee or custodian had originally been named as the trustee or custodian herein. The Trustee shall provide notice to the Companies of any assignment pursuant to this Section 17.5

17.6 No Assignment.

Except as provided in Sections 17.4 and 17.5, neither party may assign this Agreement without the prior written consent of the other party hereto. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

SECTION 18**NOTICE***18.1 Notice to a Company.*

Any notice, demand or other communication (other than an Authorized Instruction) under this Agreement to a Company shall be in writing addressed to the Company as follows:

AbiBow Canada Inc.
c/o

Attention:
Facsimile:

AbitibiBowater Inc.
c/o

Attention:
Facsimile:

18.2 Notices to Trustee.

Any notice, demand or other communication (other than an Authorized Instruction) under this Agreement to the Trustee shall be in writing addressed to the Trustee as follows:

c/o CIBC Mellon Global Securities Services Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6

Attention: Senior Vice President, Client Relationship Management
Facsimile: (416) 643-6360

18.3 Delivery.

Notices, demands or other communications given pursuant to this Section 18 may be sent by personal delivery (including courier) during business hours or may be sent by ordinary mail or by facsimile. Such notice shall be deemed to have been delivered at the time of personal delivery, or on the fifth (5th) Business Day following the day of mailing (unless delivery by mail is likely to be delayed by strike or slowdown of postal workers, in which case it shall be deemed to have been given when it would be delivered in the ordinary course of the mail allowing for such strike or slowdown), or if sent by facsimile, on the day of receipt if sent before 5 p.m. (local time of the recipient) on a Business Day or on the next Business Day if sent after 5 p.m. or not on a Business Day. Any party may change its address by giving notice to the other party in the manner set forth in this Section.

SECTION 19**MISCELLANEOUS***19.1 Representation.*

Each party represents that it has the power and authority to enter into and perform its obligations under this Agreement, that the person or persons signing this Agreement on behalf of the named party are properly authorized and empowered to sign it and that the Agreement is valid and binding on the party and enforceable against the party in accordance with its terms.

19.2 Residency.

Each Company represents that it is a resident of Canada within the meaning of the Tax Act.

19.3 Entire Agreement.

This Agreement shall constitute the entire agreement between the parties as of the date hereof with respect to all matters herein and its execution has not been induced by, nor do any of the parties hereto rely upon or regard as material, any representations or promises whatsoever not incorporated herein or made by a party hereto.

19.4 Invalidity/Unenforceability.

If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired.

19.5 Necessary Parties.

The Trustee reserves the right to seek a judicial or administrative determination as to its proper course of action under this Agreement. The Beneficiaries named in the list of Beneficiaries last provided to the Trustee in accordance with Section 4.5 shall be provided with notice of any application to the courts for an interpretation of this Agreement.

19.6 No Third Party Beneficiaries.

The provisions of this Agreement are intended to benefit only the parties hereto and their respective successors and assigns. No person entitled to benefits under the Arrangement shall have any claim against the Trustee except by or through a Company.

19.7 Execution in Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

19.8 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and any actions, proceedings or claims relating to the Fund shall be commenced in the courts of the Province of Ontario.

[the balance of this page left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above by their duly authorized officers.

CIBC MELLON TRUST COMPANY

ABIBOW CANADA INC.

By: _____
Name:
Title:

By:
Name:
Title:

By: _____
Name:
Title:

By:
Name:
Title:

ABITIBIBOWATER INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

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Actuarial Methods and Assumptions

The purpose of this Appendix C is to describe the actuarial methods and assumptions to be retained by the Actuary in calculating the actuarial present value of benefits.

Cut-Off Date

In this Appendix “C”, the Cut-Off Date, with respect to a Valuation Year that commences in a particular calendar year, means February 1 of that particular calendar year.

Actuarial Methods

The actuarial present value of benefits shall be established on a plan wind-up basis by assuming that the Companies’ registered pension plans are wound-up simultaneously with a solvency ratio of exactly 100%, with the liabilities under those plans being discharged by the payment of lump sum amounts.

Actuarial Assumptions

Unless stipulated otherwise below, the actuarial present value of benefits shall be calculated in accordance with the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries’ Standards of Practice or any other CIA standards that may come into effect from time to time (“CIA Standards”). The calculations required for the purposes of an Actuarial Report for a Valuation Year shall be made in accordance with the Actuarial Standards in effect as of the Cut-off Date for that Valuation Year, based on facts and assumptions as of the Cut-Off Date. In applying the CIA Standards, it shall be assumed that the benefits to be secured (the “Secured Benefits”) are payable from a Québec Registered Pension Plan and that the participants are all Québec participants.

Interest Rates

The interest rates used in an actuarial report for a Valuation Year shall be equal to the rates described under the CIA Standards for the calculation of the transfer value of non indexed pensions as of the Cut-off Date for the Valuation Year.

Indexation

For Secured Benefits that are decreased annually by the amount of automatic indexation granted under a registered pension plan of a Company, the indexation rate used in an actuarial report for a Valuation Year to determine the value of the Secured Benefits shall be the implicit inflation rate determined in accordance with the CIA Standards for the calculation of the transfer value of fully indexed pensions as of the Cut-off Date for the Valuation Year.

Income Tax Act Maximum

The indexation rate of the maximum benefits allowable under the registered pension plans of the Companies at the beginning of a Valuation Year shall be indexed by the implicit inflation rate determined in accordance with the CIA Standards for the calculation of the transfer value of fully indexed pensions as of the Cut-off Date for the Valuation Year plus 1%.

YMPE

As the YMPE is used for the determination of some benefits under the registered pension plans of the Companies, the indexation rate of the YMPE of the beginning of a Valuation Year shall be the implicit inflation rate determined in accordance with the CIA Standards for the calculation of the transfer value of fully indexed pensions as of the Cut-off Date for the Valuation Year plus 1%.

Earnings / Salary / Bonus

As benefits from the registered pension plans of the Companies are based on pensionable earnings, it shall be assumed that the salary rate in effect at the Cut-off Date for a Valuation Year shall not be increased for the determination of benefits at the end of the Valuation Year.

As bonuses are included in the pensionable earnings used to determine the benefits from the registered pension plans of the Companies, it shall be assumed that the target bonus for a calendar year shall be paid before the end of March of the following year.

Defined Contribution Account Balance

Whenever a defined contribution account balance under a registered pension plan of a Company is taken into account for the determination of benefits under the Plan, the account balance as of December 31 immediately preceding the beginning of a Valuation Year shall be used in the actuarial report for the Valuation Year. No interest shall be credited on that account balance for the period of the Valuation Year.

Actuarial Equivalent

If any benefits must be determined by actuarial equivalence in an Actuarial Report for a Valuation Year, then the assumptions described under the CIA Standards for the calculation of the transfer value of non indexed pensions as of the Cut-off Date for the Valuation Year shall be used.

Marital Status

For an Eligible Member in receipt of a monthly pension, his or her actual marital status and the date of birth of his or her spouse shall be used. For an Eligible Member not in receipt of a monthly pension, it shall be assumed that, at retirement, the Eligible Member will have a spouse and the female spouse will be three years younger than the male spouse.

Retirement/Termination of employmenta) Eligible Members

For an Eligible Member aged 55 at the beginning of a Valuation Year not in receipt of a monthly pension at the Cut-Off Date for the Valuation Year, it shall be assumed that the participant retires immediately at the beginning of the Valuation Year covered by the actuarial report. For an Eligible Member who is not age 55 at the beginning of a Valuation Year but who will attain age 55 before October 1 of the Valuation Year, the benefits shall be determined on the first day of the month coinciding with or next following the attainment of age 55 and discounted back to the beginning of the Valuation Year. For an Eligible Member who is not age 55 at the beginning of a Valuation Year but who will attain age 55 on or after October 1 of the Valuation Year but on or before March 31 of the Valuation Year, the benefits shall be determined on the first of the month coinciding with or next following the attainment of age 55 and discounted back to that October 1.

For the determination of the actuarial present value of benefits at the end of a Valuation Year, it shall be assumed that Eligible Members aged 55 not in receipt of a monthly pension payment at the Cut-Off Date for the Valuation Year, shall retire at the end of the Valuation Year.

For an Eligible Member in receipt of a monthly pension at the beginning of a Valuation Year, the actual pension amount at the beginning of a Valuation Year and the expected pension amount at the end of the Valuation Year, shall be valued. Should such an Eligible Member die, the benefits still being paid shall be valued for the person claiming in respect of such Eligible Member.

If an Eligible Member would have been in receipt of a monthly pension had there not been any administrative delays, such an Eligible Member will be considered as being in receipt of a monthly pension.

b) Vested Survivors

For a Vested Survivor of an Eligible Member who would have attained age 55 at the beginning of a Valuation Year, the pension amount payable to the Vested Survivor at the beginning of the Valuation Year and the expected pension amount payable to the Vested Survivor at the end of the Valuation Year, shall be valued.

For a Vested Survivor of an Eligible Member who would have attained age 55 during a Valuation Year, the benefits to be valued shall be determined based on the pension amount payable to the Vested Survivor on the first of the month coinciding with or next following the date the Eligible Member would have attained age 55, and discounted back to the beginning of the Valuation Year, or October 1 of the Valuation Year, depending on when the Eligible Member's date of birth would have been.

Mortality

Mortality rates used in an Actuarial Report for a Valuation Year shall only apply after retirement and shall be in accordance with the CIA Standards as of the Cut-off Date for the Valuation Year. In particular the mortality rates shall be on a sex distinct basis.

Margins

No margins will be included in the actuarial assumptions.

Tax adjustment

No adjustments shall be made to the assumptions to take into account the tax characteristics of a retirement compensation arrangement under the Income Tax Act (Canada).

Wind-up expenses

A provision will be made to estimate the total expenses that would be expected to be incurred in terminating the RCA Trust. The estimate of the wind-up expenses shall be established by assuming that the liquidation of the RCA Trust will not be contested.

Known Events

Despite the foregoing, facts and events known as of the Cut-off Date for a Valuation Year shall be considered in calculating the actuarial present value of benefits for the Valuation Year. Exceptionally, for the first Valuation Year, facts and events known on May 15, 2011 shall be considered in calculating the actuarial present value of benefits for that first Valuation Year.

Full Corporate Liability

The Full Corporate Liability is given by the following equation and measures the Plan benefits provided to:

- (a) Eligible Members who have attained age 55 as of April 1 and Eligible Members who will attain age 55 no later than September 30 ("qualifying Eligible Members");
- (b) individuals who, as of April 1, are entitled to benefits under the Plans in respect of Vested Members who died before April 1 ("qualifying beneficiaries");
- (c) individuals who are Vested Survivors as of April 1 and individuals who will become Vested Survivors no later than September 30 ("qualifying individuals");

$$\text{Full Corporate Liability} = A + B - (C + D);$$

where

"A" is the amount determined by:

1. calculating the greater of the actuarial present value of the benefits of a qualifying Eligible Member as of April 1 and the actuarial present value of the benefits of the qualifying Eligible Member as of March 31 of the following calendar year;
2. aggregating all amounts determined under item 1;
3. calculating the greater of the actuarial value of the benefits of a qualifying individual or a qualifying beneficiary as of April 1 and the actuarial present value of the benefits of the qualifying individual or qualifying beneficiary as of March 31 of the following calendar year; and
4. aggregating all amounts determined under item 3.

"B" is the estimated value of any expenses required to terminate the RCA Trust;

"C" is the value of any property held in the RCA Trust (other than the Letter of Credit) and other than the right to claim any Refundable Tax in respect of the RCA Trust;

"D" is the balance, if any, of the Refundable Tax account in respect of the RCA Trust.

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made as of _____, 20__ by and between **RESOLUTE FOREST PRODUCTS INC.**, a Delaware corporation (the "Corporation"), and ("Indemnitee").

RECITALS

WHEREAS, Indemnitee serves as a [director/officer] of the Corporation and performs a valuable service for the Corporation;

WHEREAS, the Third Amended and Restated Certificate of Incorporation of the Corporation, effective as of December 9, 2010, as the same has been or may be amended from time to time (the "Certificate of Incorporation") provides that the Corporation shall indemnify the officers and directors of the Corporation to the fullest extent permitted by Section 145 of the Delaware General Corporation Law ("DGCL");

WHEREAS, the Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that agreements may be entered into between the Corporation and members of the Board of Directors of the Corporation (the "Board") and officers with respect to indemnification;

WHEREAS, it is reasonable and prudent for the Corporation contractually to obligate itself to indemnify, hold harmless and exonerate, and to advance expenses on behalf of, Indemnitee to the fullest extent permitted by law so that Indemnitee will serve or continue to serve the Corporation free from undue concern that Indemnitee will not be indemnified, held harmless or exonerated; and

WHEREAS, this Agreement is separate and independent of the Certificate of Incorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder, nor shall the existence of any rights under the Certificate of Incorporation, the Corporation's By-Laws, as the same may be amended from time to time (the "By-Laws") or any other agreement be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee under this Agreement.

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Corporation and Indemnitee do hereby covenant and agree as follows:

1. Services to the Corporation. Indemnitee will serve or continue to serve, at the will of the Corporation or under separate contract, if such exists, as an officer and/or director of the Corporation for so long as Indemnitee is duly elected or appointed and qualified in accordance with the Certificate of Incorporation and By-Laws or until Indemnitee tenders his or her resignation. If Indemnitee is an employee at will of the Corporation, nothing herein shall change such employee's status as an employee at will.

2. Definitions. As used in this Agreement:

(a) The terms “Beneficial Owner” and “Beneficial Ownership” shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act (as defined below) as in effect on the date hereof.

(b) A “Change in Control” shall be deemed to occur upon the earliest after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation’s then outstanding securities entitled to vote generally in the election of directors, unless (1) the change in the relative Beneficial Ownership of the Corporation’s securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors or (2) such acquisition was approved in advance by the Continuing Directors and such acquisition would not constitute a Change in Control under part (iii) of this definition;

(ii) Change in Board of Directors. Individuals who, as of the date hereof, constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a Change in Control) whose election by the Board or nomination for election by the Corporation’s stockholders was approved by a vote of a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (collectively, the “Continuing Directors”), cease for any reason to constitute at least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of any reorganization, recapitalization, merger or consolidation involving the Corporation (a “Business Combination”), in each case, unless, immediately following such Business Combination: (1) all or substantially all of the individuals and entities who were the Beneficial Owners of securities entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 51% of the combined voting power of the then outstanding securities of the Corporation entitled to vote generally in the election of directors resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the securities entitled to vote generally in the election of directors; (2) no Person (excluding any corporation resulting from such Business Combination) is the Beneficial Owner, directly or indirectly, of 20% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such corporation except to the extent that such ownership existed prior to the Business Combination; and (3) at least a majority of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination;

(iv) Liquidation. The approval by the stockholders of the Corporation of a complete liquidation of the Corporation, or an agreement or series of agreements for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than factoring the Corporation's current receivables or escrows due (or, if such approval is not required, the decision by the Board to proceed with such a liquidation, sale or disposition in one transaction or a series of related transactions); or

(v) Other Events. The occurrence of any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Corporation is then subject to such reporting requirement.

(c) "Covered Capacity" means present or former status as a director, officer, trustee, general partner, managing member or fiduciary of the Corporation, any Subsidiary or any other corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of or to represent the interests of the Corporation or any Subsidiary.

(d) "Delaware Court" means the Court of Chancery of the State of Delaware.

(e) "Disinterested Director" shall mean a director of the Corporation who is not and was not a party to the Proceeding for which indemnification or hold harmless or exoneration rights is sought by Indemnitee.

(f) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(g) "Expenses" shall include all direct and indirect costs, fees, expenses and disbursements of any type or nature whatsoever, including, without limitation, all attorneys' fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, fees of private investigators and professional advisors, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, fax transmission charges, secretarial services and all other disbursements, obligations or expenses in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settlement or appeal of, or otherwise participating in, a Proceeding, including reasonable compensation for time spent by Indemnitee for which he or she is not otherwise compensated by the Corporation or any third party. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the principal, premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, and shall also include, to the extent permitted by law, any of the foregoing costs, fees, expenses and disbursements incurred in connection with any Proceeding brought by Indemnitee (i) to enforce his or her rights under, or to recover damages for breach of, this Agreement or any other indemnification, advancement or contribution agreement or provision of the Certificate of Incorporation or the By-Laws now or hereafter in effect; or (ii) for recovery of advances under any insurance policy maintained by any person for the benefit of Indemnitee. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the

amount of judgments, penalties or fines against Indemnitee, other than excise taxes and penalties paid under the Employee Retirement Income Security Act of 1974, as amended.

(h) “Independent Counsel” shall mean a law firm, or a member of a law firm, with significant experience in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Corporation or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification or to be held harmless or exonerated hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(i) A person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Agreement.

(j) The term “Person” shall have the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act as in effect on the date hereof; provided, however, that “Person” shall exclude: (i) the Corporation; (ii) any Subsidiary of the Corporation; (iii) any employee benefit plan of the Corporation or of a Subsidiary of the Corporation or of any corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation; and (iv) any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or of a Subsidiary of the Corporation or of a corporation owned directly or indirectly by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation.

(k) A “Potential Change in Control” shall be deemed to have occurred if: (i) the Corporation enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control; (ii) any Person or the Corporation publicly announces an intention to take or consider taking actions which if consummated would constitute a Change in Control; (iii) any Person who is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing 5% or more of the combined voting power of the Corporation’s then outstanding securities entitled to vote generally in the election of directors increases his or her Beneficial Ownership of such securities by 5% or more over the percentage so owned by such Person on the date hereof unless such acquisition was approved in advance by the Board; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(l) The term “Proceeding” shall include any threatened, pending or completed action, suit, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, or any appeal therefrom, whether brought by or in the right of the Corporation, another Person or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is,

will or might be involved as a party or otherwise by reason of the fact that Indemnitee is or was serving in a Covered Capacity, by reason of any action taken (or failure to act) by him or her or of any action (or failure to act) on his or her part while serving in a Covered Capacity, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification or a right to be held harmless or exonerated or for reimbursement or advancement of expenses can be provided under this Agreement, including any such proceedings or matters pending on or before the date of this Agreement and any action brought by Indemnitee (i) to enforce his or her rights under, or to recover damages for breach of, this Agreement or any other indemnification, advancement or contribution agreement or provision of the Certificate of Incorporation or the By-Laws now or hereafter in effect; or (ii) for recovery or advances under any insurance policy maintained by any person for the benefit of Indemnitee.

(m) References to “serving at the request of the Corporation” shall include any service as a director, officer, employee, agent or fiduciary of the Corporation which imposes duties on or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or beneficiaries, or with respect to any other corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of or to represent the interests of the Corporation or any Subsidiary.

(n) In connection with any merger or consolidation, references to “the Corporation” shall include not only the resulting or surviving corporation but also any constituent corporation or any constituent of a constituent corporation, which, if its separate existence had continued, would have had power and authority to indemnify, hold harmless or exonerate its directors or officers and employees or agents. The intent of this provision is that a person who is or was a director of such constituent corporation after the date hereof or is or was serving at the request of such constituent corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise after the date hereof, shall stand in the same position under this Agreement with respect to the resulting or surviving corporation as the person would have under this Agreement with respect to such constituent corporation if its separate existence had continued.

(o) The term “Subsidiary” shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that corporation or entity.

(p) The meaning of the phrase “to the fullest extent permitted by law” shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification or rights to be held harmless or exonerated by agreement or the corresponding provision or provisions of any amendment to or replacement of the DGCL; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to

which a corporation may indemnify, hold harmless or exonerate its officers, directors and/or key employees.

(q) The following terms shall have the meanings given them in the Sections indicated below:

<u>Term</u>	<u>Section</u>
Agreement	Preamble
Board	Recitals
By-Laws	Recitals
Certificate of Incorporation	Recitals
Continuing Directors	2(b)(ii)
Corporation	Preamble
DGCL	Recitals
Indemnitee	Preamble
Section 409A	15
Trust	12
Trustee	12

3. Indemnification.

(a) Subject to Section 6 of this Agreement, the Corporation shall indemnify, hold harmless and exonerate Indemnitee in accordance with the provisions of this Section 3(a) to the fullest extent permitted by law when Indemnitee was, is or is threatened to be made, a party to or is otherwise involved, or threatened to be involved, in any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor, which is addressed in Section 3 (b) below), including any such Proceeding in which the Indemnitee is solely a witness. Pursuant to this Section 3(a), Indemnitee shall be indemnified, held harmless and exonerated against all Expenses, judgments, liabilities, losses, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, liabilities, losses, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if, and only if, Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, in the case of any criminal Proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful.

(b) Subject to Section 6 of this Agreement, the Corporation shall indemnify, hold harmless and exonerate Indemnitee in accordance with the provisions of this Section 3(b) to the fullest extent permitted by law when Indemnitee was, is or is threatened to be made, a party to or is otherwise involved, or threatened to be involved, in any Proceeding by or in the right of the Corporation to procure a judgment in its favor, including any such Proceeding in which the Indemnitee is solely a witness. Pursuant to this Section 3(b), Indemnitee shall be indemnified, held harmless and exonerated against all Expenses actually and reasonably incurred by Indemnitee or

on his or her behalf in connection with such Proceeding or any claim, issue or matter therein, if, and only if, Indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation. No indemnification for or rights to be held harmless or exonerated from Expenses shall be made under this Section 3(b) in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Corporation, unless and only to the extent that the court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification or to be held harmless or exonerated.

(c) Any indemnification under this Section 3 (unless otherwise ordered by a court) shall be made by the Corporation in accordance with the procedures set forth in Sections 7, 8 and 9 hereof.

(d) Notwithstanding any other provisions of this Agreement, to the extent that Indemnitee is a party to (or a participant in, including as a witness) and is successful, on the merits or otherwise, in any Proceeding or with respect to any claim, issue or matter therein, in whole or in part, the Corporation shall indemnify for and hold harmless and exonerate Indemnitee to the fullest extent permitted by law against all Expenses actually and reasonably incurred by him or her in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify for and hold harmless and exonerate Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 3(d) and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, or the settlement of any claim, issue or matter in such a Proceeding without admission of liability, shall be deemed to be a successful result as to such claim, issue or matter. If Indemnitee is not wholly successful in such Proceeding but is partially successful, the Corporation also shall indemnify for and hold harmless and exonerate Indemnitee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue or matter on which Indemnitee was successful.

(e) Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Covered Capacity, a witness in any Proceeding to which Indemnitee is not a party, he or she shall be indemnified for and held harmless and exonerated against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

4. Additional Indemnification Rights.

(a) Notwithstanding any limitation in Section 3 of this Agreement, the Corporation shall indemnify, hold harmless and exonerate Indemnitee to the fullest extent permitted by law if Indemnitee was, is or is threatened to be made, a party to or is otherwise involved, or threatened to be involved, in any Proceeding (including a Proceeding by or in the right of the Corporation to procure a judgment in its favor) against all Expenses, judgments, liabilities, losses, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges

paid or payable in connection with or in respect of such Expenses, judgments, liabilities, losses, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnatee in connection with the Proceeding. No indemnification shall be made, and the Indemnatee shall not be held harmless or exonerated, under this Section 4(a) on account of Indemnatee's conduct which constitutes a breach of Indemnatee's duty of loyalty to the Corporation or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) The Corporation shall indemnify, hold harmless and exonerate Indemnatee to the fullest extent permitted by law and, if requested by Indemnatee, shall, to the extent permitted by law, advance Expenses incurred by Indemnatee in connection with any Proceeding brought by Indemnatee (i) to enforce his or her rights under, or to recover damages for breach of, this Agreement or any other indemnification, advancement or contribution agreement or provision of the Certificate of Incorporation or the By-Laws now or hereafter in effect; or (ii) for recovery or advances under any insurance policy maintained by any person for the benefit of Indemnatee, regardless of whether Indemnatee ultimately is determined to be entitled to such indemnification, hold harmless or exoneration rights, or advancement of Expenses or insurance recovery, as the case may be (unless such proceeding was not brought by Indemnatee in good faith).

5. Contribution in the Event of Joint Liability.

(a) To the fullest extent permitted by law, if the indemnification or rights to be held harmless or exonerated provided for in this Agreement are unavailable to Indemnatee in whole or in part for any reason whatsoever, then in any Proceeding in which the Corporation is jointly liable with Indemnatee (or would be if joined in such Proceeding) the Corporation shall pay, in the first instance, the entire amount incurred by Indemnatee, whether for judgments, liabilities, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Proceeding without requiring Indemnatee to contribute to such payment, and the Corporation hereby waives and relinquishes any right of contribution it may have at any time against Indemnatee.

(b) The Corporation shall not enter into any settlement with respect to any claim for which Indemnatee may be entitled to indemnification or hold harmless or exoneration rights hereunder without the prior written consent of Indemnatee unless such settlement provides for a full and final release of all claims asserted against Indemnatee. The Corporation shall not be liable to Indemnatee under this Agreement for amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent. Neither the Corporation nor Indemnatee shall unreasonably withhold consent to any proposed settlement; provided, however, that Indemnatee may withhold consent to any settlement that does not provide full, final, complete and unconditional release.

(c) The Corporation hereby agrees to fully indemnify, hold harmless and exonerate Indemnatee from any claims for contribution which may be brought by officers, directors or employees of the Corporation other than Indemnatee who may be jointly liable with Indemnatee.

6. Exclusions. Notwithstanding any other provision in this Agreement, the Corporation shall not be obligated under this Agreement to make any indemnification or to hold harmless or exonerate Indemnitee in connection with any claim made against Indemnitee:

(a) for which payment has actually been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision or agreement (other than this Agreement), either by the Corporation or otherwise, except with respect to any excess beyond the amount actually received under any insurance policy, contract, agreement, other indemnity provision or otherwise;

(b) for an accounting or disgorgement of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law;

(c) except as otherwise provided in Section 4(b) hereof, prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, and not brought by way of defense, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Corporation or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Corporation authorized or consented to the Proceeding (or any part of any Proceeding) prior to its initiation; (ii) such payment arises in connection with any mandatory counterclaim or cross-claim that Indemnitee asserts against the Corporation or its directors, officers, employees or other indemnitees or any affirmative defense Indemnitee raises or (iii) the Corporation otherwise provides such indemnification or holds harmless or exonerates Indemnitee in its sole discretion, pursuant to the powers vested in the Corporation under applicable law;

(d) for the payment of amounts required to be reimbursed to the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, as amended, Section 10D of the Exchange Act, or any successor statute thereto; or under any corporate “clawback” policy; or

(e) for any payment to Indemnitee that is finally determined to be unlawful under the procedures and subject to the presumptions of this Agreement.

7. Advances of Expenses; Defense of Claim.

(a) Notwithstanding any provision of this Agreement to the contrary, and to the fullest extent permitted by law, the Corporation shall advance to Indemnitee the Expenses incurred by Indemnitee in connection with any Proceeding. The Corporation will advance such Expenses within 30 days after the receipt by the Corporation from Indemnitee of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. The statement(s) shall set forth in reasonable detail the Expenses to be advanced; provided, that Indemnitee shall not be required to provide any documentation to the extent provision thereof would undermine or otherwise jeopardize attorney-client privilege. All advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee’s ability to repay the Expenses and without regard to Indemnitee’s ultimate entitlement to be indemnified, held harmless or exonerated under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing a Proceeding to enforce this right of advancement,

including Expenses incurred preparing and forwarding statement(s) to the Corporation to support the advances claimed. Indemnitee shall qualify for advances, to the fullest extent permitted by law, solely upon the execution and delivery to the Corporation of an Undertaking substantially in the form of Exhibit A hereto, providing that Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified, held harmless or exonerated by the Corporation under the provisions of this Agreement, the Certificate of Incorporation, the By-Laws, applicable law or otherwise. This Section 7(a) shall not apply to any claim made by Indemnitee for which indemnification or the right to be held harmless or exonerated is excluded pursuant to Section 6 hereof.

(b) If the Corporation disputes a portion of the Expenses for which advancement is requested, the undisputed portion shall be advanced and only the disputed portion withheld pending resolution of the dispute.

(c) The Corporation shall be entitled to conduct at its own expense the defense of any Proceeding for which indemnification or the right to be held harmless or exonerated is sought hereunder (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor); provided, that Indemnitee may retain separate co-counsel at his or her sole cost and expense and participate in the defense of the Proceeding. Notwithstanding the foregoing, the Corporation shall not have the right to assume control of the defense of any Proceeding and shall pay the reasonable fees and out-of-pocket expenses of counsel retained by Indemnitee with respect to such Proceeding if: (i) the Corporation does not conduct the defense of the Proceeding with reasonable diligence; or (ii) the Proceeding (1) seeks non-monetary, equitable or injunctive relief, (2) alleges violations of criminal law, or (3) includes as the named parties in any such Proceeding both Indemnitee and the Corporation and Indemnitee (x) reasonably determines that representation by both parties by the same counsel would be prohibited by applicable codes of professional conduct or (y) Indemnitee concludes, based on advise of counsel, that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Corporation or any Subsidiary of the Corporation and the Corporation has, after Indemnitee's request, refused to pursue such legal defenses. If the Corporation has assumed such defense as provided in this Section 7(c), the Corporation will not be liable for any legal expenses subsequently incurred by any Indemnitee in connection with the defense of such Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor). If the Corporation does not assume the defense of any Proceeding in accordance with this Section 7(c), Indemnitee may continue to defend such claim at the reasonable cost of the Corporation and the Corporation may still participate in, but not control, the defense of such Proceeding at the Corporation's sole cost and expense.

8. Procedure for Notification and Application for Indemnification.

(a) Indemnitee agrees to notify promptly the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment or document relating to any Proceeding or matter which may be subject to indemnification or a right to be held harmless or exonerated or for advancement of Expenses covered hereunder. The failure of Indemnitee to so notify or keep the Corporation generally informed shall not relieve the Corporation of any obligation which it may have to Indemnitee under this Agreement or otherwise, unless, and then only to the

extent that, such delay is materially prejudicial to the defense of or against such Proceeding or matter.

(b) Indemnitee may deliver to the Corporation a written application to indemnify, or to be held harmless or exonerated in accordance with this Agreement. The Chief Legal Officer of the Corporation (or in the absence of the Chief Legal Officer, the Corporate Secretary of the Corporation) shall, promptly upon receipt of such a request for indemnification held harmless or exonerated, advise the Board in writing that Indemnitee has requested indemnification. Such application(s) may be delivered from time to time and at such time(s) as Indemnitee deems appropriate in his or her sole discretion. Following such a written application for indemnification by Indemnitee, Indemnitee's entitlement to indemnification or rights to be held harmless or exonerated shall be determined in accordance with Section 9(a) of this Agreement.

9. Procedure upon Application for Indemnification.

(a) Upon delivery of the written application by Indemnitee for indemnification pursuant to Section 8(b) of this Agreement, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following methods: (i) if a Change in Control shall have occurred, (1) if the Indemnitee so requests in writing, by a majority vote of the Disinterested Directors (provided there is a minimum of three Disinterested Directors), even though less than a quorum of the Board, or (2) as advised by Independent Counsel; or (ii) if a Change in Control shall not have occurred, (1) by a majority vote of the Disinterested Directors (provided there is a minimum of three Disinterested Directors), even though less than a quorum of the Board, (2) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors (provided there is a minimum of three Disinterested Directors), even though less than a quorum of the Board or (3) if there are fewer than three Disinterested Directors or, if such Disinterested Directors so direct, as advised by Independent Counsel. The Corporation will promptly advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification or to be held harmless or exonerated, including a description of any reason or basis for which indemnification or the right to be held harmless or exonerated has been denied. If it is so determined that Indemnitee is entitled to indemnification or to be held harmless or exonerated, payment to Indemnitee shall be made within 30 days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification or to be held harmless or exonerated, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification or to be held harmless or be exonerated) and the Corporation hereby indemnifies, holds harmless and exonerates Indemnitee therefrom.

(b) If the determination of entitlement to indemnification or to be held harmless or to be exonerated is to be made by Independent Counsel pursuant to Section 9(a) hereof, the

Independent Counsel shall be selected as provided in this Section 9(b). The Independent Counsel shall be selected by Indemnitee (unless the Indemnitee shall request that such selection be made by the Board, in which event the Board shall make such selection on behalf of the Corporation, subject to the remaining provisions of this Section 9(b)), and the Indemnitee or the Corporation, as applicable, shall give written notice to the other party advising it of the identity of the Independent Counsel so selected. The Corporation or the Indemnitee, as the case may be, may, within ten days after such written notice of selection shall have been given, deliver to Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of “Independent Counsel” as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification or to be held harmless or exonerated pursuant to Section 8(b) hereof, no Independent Counsel shall have been selected and not objected to, either the Corporation or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by Indemnitee to the Corporation’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Delaware Court or by such other person as the Delaware Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 9 hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 11(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) The Corporation agrees to pay the reasonable fees and expenses of Independent Counsel and to fully indemnify such Independent Counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto, other than for such Independent Counsel’s gross negligence or willful misconduct.

(d) If the Corporation disputes a portion of the amounts for which indemnification or hold harmless or exoneration rights are requested, the undisputed portion shall be paid and only the disputed portion withheld pending resolution of the disputes.

10. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification or to be held harmless or exonerated hereunder, any person or entity making such determination shall presume that Indemnitee is entitled to indemnification or to be held harmless or exonerated under this Agreement if Indemnitee has submitted a request for indemnification or to be held harmless or exonerated in accordance with Section 8(b) of this Agreement, and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Corporation (including by its directors or Independent Counsel) to have made a determination prior to the

commencement of any action pursuant to this Agreement that indemnification or the right to be held harmless or exonerated is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation (including its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) If the person, persons or entity empowered or selected under Section 9 of this Agreement to determine whether Indemnitee is entitled to indemnification or to be held harmless or exonerated shall not have made a determination within 30 days after receipt by the Corporation of the request therefor (or, if such determination is to be made by an Independent Counsel, and if later, 20 days after the appointment of the Independent Counsel), the requisite determination of entitlement to indemnification or to be held harmless or exonerated shall be deemed to have been made and Indemnitee shall be entitled to such indemnification or to be held harmless or exonerated, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification or to be held harmless or exonerated rights; or (ii) a final judicial determination that any or all such indemnification or the right to be held harmless or exonerated is expressly prohibited under applicable law; provided, however, that such 30 day period shall be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making the determination with respect to entitlement to indemnification or the right to be held harmless or exonerated rights in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or to be held harmless or exonerated or create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Corporation or a Subsidiary, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Corporation or a Subsidiary in the course of their duties, or on the advice of legal counsel for the Corporation or a Subsidiary, its Board, any committee of the Board or any director, or on information or records given or reports made to the Corporation or a Subsidiary, its Board, any committee of the Board or any director, by an independent certified public accountant or by an appraiser or other expert selected by the Corporation or a Subsidiary, its Board, any committee of the Board or any director. The provisions of this Section 10(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any other director, trustee, partner, managing member, fiduciary, officer, agent or employee of the Corporation or a Subsidiary shall not be imputed to Indemnitee for purposes of determining the right to indemnification or to be held harmless or exonerated under this Agreement.

(f) The Corporation acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. If any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such Proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

11. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification or to be held harmless or exonerated under this Agreement, (ii) advancement of Expenses, to the fullest extent permitted by law, is not timely made pursuant to Section 7 of this Agreement, (iii) no determination of entitlement to indemnification or to be held harmless or exonerated shall have been made pursuant to Section 9 of this Agreement within the time period specified in Section 10(b) of this Agreement, (iv) payment of Expenses is not made pursuant to Sections 3(d) or 3(e), 4 or 9(d) of this Agreement within 30 days after receipt by the Corporation of a written request therefor, (v) a contribution payment is not made in a timely manner pursuant to Section 5 of this Agreement or (vi) payment of indemnification pursuant to Section 3(a), Section 3(b) or Section 4 of this Agreement is not made within 30 days after a determination has been made that Indemnitee is entitled to indemnification or to be held harmless or exonerated, Indemnitee shall be entitled to an adjudication by the Delaware Court of his or her entitlement to such indemnification, the right to be held harmless or exonerated, contribution or advancement. Alternatively, Indemnitee, in his or her sole discretion, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as set forth herein, the provisions of Delaware law (without regard to its conflict of laws rules) shall apply to any such arbitration. The Corporation shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration. The award rendered by such arbitration shall be final and binding upon the parties hereto, and final judgment on the arbitration award may be entered in any court of competent jurisdiction.

(b) Upon the occurrence or non-occurrence of any of the events set forth in Section 11(a) of this Agreement, any judicial proceeding or arbitration commenced pursuant to this Section 11 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 11, Indemnitee shall be presumed to be entitled to be indemnified, held harmless, exonerated and to receive contribution and advances of Expenses under this Agreement and the Corporation shall have the burden of proving Indemnitee is not entitled to be indemnified, held harmless or exonerated and to receive advances of Expenses,

as the case may be, and the Corporation may not refer to or introduce into evidence any determination pursuant to Section 9 of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 11, Indemnitee shall not be required to reimburse the Corporation for any advances pursuant to Section 7 until a final judicial determination is made with respect to Indemnitee's entitlement to indemnification or to be held harmless or exonerated (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 9 of this Agreement that Indemnitee is entitled to indemnification or to be held harmless or exonerated, the Corporation shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 11, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification or to be held harmless or exonerated; or (ii) a prohibition of such indemnification or against being held harmless or exonerated under applicable law.

(d) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 11 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Agreement.

(e) Interest shall be paid by the Corporation to Indemnitee at the legal rate under Delaware law, compounded monthly, commencing with the date on which Indemnitee requests indemnification, contribution or advancement of any Expenses and ending with the date on which such payment is made to Indemnitee by the Corporation.

12. Establishment of Trust. In the event of a Potential Change in Control, the Corporation shall, upon written request by Indemnitee, create a "Trust" for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such Trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, participating in or defending any Proceedings, and any and all judgments, losses, liabilities, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such judgments, losses, liabilities, fines penalties and amounts paid in settlement) in connection with any and all Proceedings from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The trustee of the Trust (the "Trustee") shall be a bank or trust company or other individual or entity chosen by Indemnitee and reasonably acceptable to the Corporation. Nothing in this Section 12 shall relieve the Corporation of any of its obligations under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Corporation or, if the Corporation and Indemnitee are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 9(b) of this Agreement. The terms of the Trust shall provide that, except upon the consent of both Indemnitee and the Corporation, upon a Change in Control: (a) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee, (b) the Trustee shall advance Expenses to Indemnitee in accordance with the procedures set forth

in Section 7(a); (c) the Trust shall continue to be funded by the Corporation in accordance with the funding obligations set forth above; (d) the Trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification or to be held harmless or exonerated pursuant to this Agreement or otherwise; and (e) all unexpended funds in such Trust shall revert to the Corporation upon mutual agreement by Indemnitee and the Corporation or, if Indemnitee and the Corporation are unable to reach such an agreement, by Independent Counsel selected in accordance with Section 9(b) of this Agreement, that Indemnitee has been fully indemnified, held harmless and exonerated under the terms of this Agreement. The Trust shall be governed by Delaware law (without regard to its conflicts of laws rules) and the Trustee shall consent to the exclusive jurisdiction of the Delaware Court in accordance with Section 21 of this Agreement.

13. Security. Notwithstanding anything herein to the contrary, to the extent requested by Indemnitee and approved by the Board, the Corporation may at any time and from time to time provide security to Indemnitee for the Corporation's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

14. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of Indemnitee as provided by this Agreement (i) shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation or the By-Laws, any agreement, a vote of stockholders, a resolution of directors or otherwise and (ii) shall be enforced and this Agreement shall be interpreted independently of and without reference to or limitation or constraint (whether procedural, substantive or otherwise) by any other such rights to which Indemnitee may at any time be entitled. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Covered Capacity prior to such amendment, alteration or repeal. To the extent that a change in applicable law, whether by statute or judicial decision, permits greater indemnification or greater rights to be held harmless or exonerated or greater advancement rights than would be afforded currently under the Certificate of Incorporation, the By-Laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. To the extent that a change in Delaware law, whether by statute or judicial decision, narrows or limits indemnification, rights to be held harmless or exonerated or advancement of Expenses than are afforded currently under the Certificate of Incorporation, the By-Laws and this Agreement, it is the intent of the parties hereto that such change, except to the extent required by applicable law, shall have no effect on this Agreement or the parties' rights and obligations hereunder. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy hereunder or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) The purchasing or maintaining of insurance or the furnishing of similar protection or the making of other arrangements including, but not limited to, providing a trust fund,

letter of credit or surety bond on behalf of Indemnatee against any liability in a Covered Capacity whether or not the Corporation would have the power to indemnify Indemnatee or to hold harmless or exonerate Indemnatee against such liability under the provisions of this Agreement, shall not in any way limit or affect the rights and obligations of the Corporation or of Indemnatee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Corporation and Indemnatee shall not in any way limit or affect the rights and obligations of the Corporation or the other party or parties thereto under any such arrangement.

(c) To the extent that the Corporation maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees or agents of the Corporation, any Subsidiary or any other enterprise which such person serves at the request of the Corporation, Indemnatee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. The Corporation shall maintain directors' and officers' insurance programs providing coverage to Indemnatee during the time period Indemnatee serves the Corporation in a Covered Capacity, and for a period of no less than six years following the conclusion of such service. If, at the time the Corporation receives notice from any source of a Proceeding as to which Indemnatee is a party or a participant (as a witness or otherwise), the Corporation has director and officer liability insurance in effect, the Corporation shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Corporation shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnatee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(d) In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

(e) The Corporation's obligation to indemnify, hold harmless, exonerate or advance Expenses hereunder to Indemnatee who is or was serving at the request of the Corporation as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any Subsidiary or other enterprise shall be reduced by any amount Indemnatee has actually received from such Subsidiary or other enterprise as payments in respect of indemnification, the right to be held harmless or exonerated by such Subsidiary or other enterprise or in respect of advancement of expenses from such Subsidiary or other enterprise. Notwithstanding any other provision of this Agreement to the contrary, (i) Indemnatee shall have no obligation to reduce, offset, allocate, pursue or apportion amounts in respect of any indemnification, rights to be held harmless or exonerated, advancement, contribution or insurance coverage among multiple parties possessing such duties to Indemnatee prior to the Corporation's satisfaction and performance of all its obligations under this Agreement, and (ii) the Corporation shall perform fully its obligations under this Agreement without regard to whether Indemnatee holds, may pursue or has pursued any indemnification, rights to be held harmless or exonerated or advancement, contribution or insurance coverage rights against any person or entity other than the Corporation.

15. Section 409A. It is intended that any indemnification, hold harmless or exoneration payment or advancement of Expenses made hereunder shall be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance issued thereunder (“Section 409A”) pursuant to Treasury Regulation Section 1.409A-1(b)(10). Notwithstanding the foregoing, if any payments in respect of indemnification or rights to be held harmless or exonerated or advancement of Expenses made hereunder shall be determined to be “nonqualified deferred compensation” within the meaning of Section 409A, then (a) the amount of the indemnification, hold harmless or exoneration payment or advancement of Expenses during one taxable year shall not affect the amount of such payments or advancement of Expenses during any other taxable year, (b) payments in respect of indemnification or rights to be held harmless or exonerated or advancement of Expenses must be made on or before the last day of Indemnitee’s taxable year following the year in which the expense was incurred and (c) the right to indemnification, to be held harmless or exonerated or advancement of Expenses hereunder is not subject to liquidation or exchange for another benefit.

16. Duration of Agreement. All agreements and obligations of the Corporation contained herein shall continue during the period Indemnitee serves in a Covered Capacity and continue and survive thereafter, regardless of the termination of Indemnitee’s service in a Covered Capacity, so long as Indemnitee shall be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement) by reason of serving in a Covered Capacity, whether or not he or she is acting in any Covered Capacity at the time any liability or expense is incurred for which other rights exist under this Agreement.

17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent permitted by law, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

18. Enforcement and Binding Effect.

(a) The Corporation expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to encourage Indemnitee to continue to serve in a Covered Capacity, and the Corporation acknowledges that Indemnitee is relying upon this Agreement in serving.

(b) Subject to Section 14(a), and without limiting the rights of Indemnitee under the Certificate of Incorporation or By-Laws, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior

agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The rights to be indemnified, held harmless and exonerated and to receive contribution and advancement of Expenses provided by or granted Indemnitee pursuant to this Agreement shall apply to Indemnitee's service in a Covered Capacity prior to the date of this Agreement and shall continue to apply after Indemnitee ceases to act in a Covered Capacity, as provided above.

(d) The rights to indemnification, to be held harmless or exonerated, contribution and advancement of Expenses provided by or granted pursuant to this Agreement (i) shall be binding upon, be enforceable by, and inure to the benefit of the parties hereto and their respective successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, reorganization or otherwise to all or substantially all of the business or assets of the Corporation (and such successor will thereafter be deemed the "Corporation" for purposes of this Agreement); (ii) shall continue as to an Indemnitee who has ceased to serve in a Covered Capacity; and (iii) shall be enforceable by and inure to the benefit of Indemnitee and his or her spouse, assigns, estate, heirs, devisees, executors and administrators and other legal representatives.

(e) The Corporation shall require and cause any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Corporation, by written agreement in the form and substance reasonably satisfactory to Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Corporation would be required to perform if no such succession had taken place.

(f) The Corporation and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, would be inadequate, impracticable and difficult of proof, and further agree that such breach would cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking, among other things, injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he or she may be entitled. The Corporation and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Corporation acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the Delaware Court, and the Corporation hereby waives any such requirement of such a bond or undertaking.

19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed; or (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide in writing to the Corporation.

(b) If to the Corporation to:

Resolute Forest Products Inc.
111 Duke Street, Suite 5000
Montreal, Quebec
Canada H3C 2M1
Attn.: Chief Legal Officer

or to any other address as may have been furnished to Indemnitee in writing by the Corporation.

21. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 11(a) of this Agreement, the Corporation and Indemnitee hereby irrevocably and unconditionally: (a) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court and not in any other state or federal court in the United States of America or any court in any other country; (b) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement; (c) appoint irrevocably, to the extent such party is not a resident of the State of Delaware, [*Name and address of Delaware counsel*] as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware; (d) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court; and (e) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum, or is subject (in whole or in part) to a jury trial.

22. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

23. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Corporation against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Corporation shall be

extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

24. Additional Acts. If for the validation of any of the provisions in this Agreement any act, resolution, approval or other procedure is required, the Corporation undertakes to cause such act, resolution, approval or other procedure to be affected or adopted in a manner that will enable the Corporation to fulfill its obligations under this Agreement.

25. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

RESOLUTE FOREST PRODUCTS INC.

By: _____
Name: _____
Title: _____

INDEMNITEE

Name: *[Name]*

Address: _____

Exhibit A

UNDERTAKING

Reference is made to that certain Indemnification Agreement between Resolute Forest Products Inc., a Delaware corporation (the "Corporation"), and Indemnatee dated as of _____, 20__ (the "Indemnification Agreement").

In regard to any advancements made by the Corporation to Indemnatee pursuant to the terms of the Indemnification Agreement, Indemnatee hereby undertakes and agrees to repay to the Corporation any and all amounts so paid promptly and in any event within 30 days after the disposition, including exhaustion of all appeals therefrom, of any litigation or threatened litigation on account of which advancements were made if it is determined that Indemnatee is not entitled to indemnification pursuant to the Indemnification Agreement.

INDEMNITEE

Name: [*Name*]

Address: _____

RESOLUTE FOREST PRODUCTS INC.
Computation of Ratio of Earnings to Fixed Charges
(In millions of dollars)
(Unaudited)

	Years Ended December 31,					Predecessor 2010
	Successor				2011	
	2014	2013	2012	2011		
(Loss) earnings:						
(Loss) earnings before income taxes ^(a)	\$ (304)	\$ (115)	\$ (72)	\$ 64	\$ 1,156	
Add: Fixed charges from below	52	57	72	100	489	
Less: Capitalized interest	(3)	(2)	(2)	(1)	—	
	\$ (255)	\$ (60)	\$ (2)	\$ 163	\$ 1,645	
Fixed Charges:						
Interest expense	\$ 42	\$ 48	\$ 66	\$ 95	\$ 469	
Capitalized interest	3	2	2	1	—	
Estimate of interest within rental expense	2	4	4	4	6	
Amortized premium, discounts and deferred financing costs related to indebtedness	5	3	—	—	14	
	\$ 52	\$ 57	\$ 72	\$ 100	\$ 489	
Ratio of Earnings to Fixed Charges	(a)	(a)	(a)	1.6x	3.4x	

^(a) For the years ended December 31, 2014, 2013 and 2012, earnings were inadequate to cover fixed charges, resulting in a deficiency of \$307 million, \$117 million and \$74 million, respectively.

**RESOLUTE FOREST PRODUCTS INC.
SUBSIDIARY LISTING
As of December 31, 2014**

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
3239432 Nova Scotia Company	Nova Scotia
9192-8515 Québec Inc. ⁽¹⁾	Québec
AbiBow Recycling LLC	Delaware
AbitibiBowater Canada Inc.	Canada
Abitibi Consolidated Europe	Belgium
Abitibi Consolidated Sales LLC	Delaware
Augusta Newsprint Holding LLC	Delaware
Bowater Asia Pte. Ltd.	Singapore
Bowater Canada Finance Corporation	Nova Scotia
Bowater Canadian Holdings Incorporated	Nova Scotia
Bowater Canadian Limited	Canada
Bowater Europe Limited	United Kingdom
Bowater-Korea Ltd.	Korea
Bowater LaHave Corporation	Nova Scotia
Bowater Newsprint South LLC	Delaware
Bowater Nuway Mid-States Inc.	Delaware
Bowater S. America Ltda.	Brazil
Bowater South American Holdings Incorporated	Delaware
Calhoun Newsprint Company	Delaware
Calhoun Note Holdings AT LLC	Delaware
Calhoun Note Holdings TI LLC	Delaware
Donohue Corp.	Delaware
Donohue Malbaie Inc. ⁽²⁾	Québec
FD Powerco LLC	West Virginia
FibreK General Partnership	Québec
FibreK Holding Inc.	Canada
FibreK International Inc.	Canada
FibreK Recycling U.S. Inc.	Delaware
FibreK U.S. Inc.	Delaware
Forest Products Mauricie L.P. ⁽¹⁾	Québec
GLPC Residual Management, LLC	Delaware
Lake Superior Forest Products Inc.	Delaware
Resolute FP Augusta LLC	Delaware
Resolute FP Canada Inc.	Canada
Resolute Growth Canada Inc.	Canada
Resolute FP Illinois LLC	Delaware
Resolute FP US Inc.	Delaware
SFK Pulp Finco Inc.	Canada
The International Bridge and Terminal Company	Canada/Special Act

Note: Except as otherwise indicated, each of the above entities is a wholly-owned direct or indirect subsidiary of Resolute Forest Products Inc. (“RFP”). The names of certain other direct and indirect subsidiaries of RFP have been omitted from the list above because such unnamed subsidiaries in the aggregate as a single subsidiary would not constitute a significant subsidiary.

⁽¹⁾ 93.2 percent owned.

⁽²⁾ 51 percent owned.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-171602, No. 333-173361 and No. 333-173362) of Resolute Forest Products Inc. of our report dated March 2, 2015 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting of Resolute Forest Products Inc. which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP⁽¹⁾

Montréal, Québec, Canada

March 2, 2015

⁽¹⁾ CPA auditor, CA, public accountancy permit No.A113048

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS

WHEREAS, RESOLUTE FOREST PRODUCTS INC., a Delaware corporation (the “Company”), proposes shortly to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended (the “Act”), the Annual Report on Form 10-K pursuant to Section 13 or 15 (d) of the Act.

WHEREAS, each of the undersigned is a Director of the Company.

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints Richard Garneau, Jo-Ann Longworth and Jacques P. Vachon and each of them, as true and lawful attorneys-in-fact and agents, and each of them with full power to act without the others, for him or her and in his or her name, place and stead, in any and all capacities, to sign said Annual Report and any and all amendments thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her hand this 26th day of February 2015.

/s/ Bradley P. Martin

Bradley P. Martin
Chairman of the Board

/s/ Jeffrey A. Hearn

Jeffrey A. Hearn
Director

/s/ Michel P. Desbiens

Michel P. Desbiens
Director

/s/ Alain Rhéaume

Alain Rhéaume
Director

/s/ Jennifer C. Dolan

Jennifer C. Dolan
Director

/s/ Michael S. Rousseau

Michael S. Rousseau
Director

/s/ Richard D. Falconer

Richard D. Falconer
Director

/s/ David H. Wilkins

David H. Wilkins
Director

Certification

I, Richard Garneau, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2014 of RESOLUTE FOREST PRODUCTS INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2015

/s/ Richard Garneau

Richard Garneau
President and Chief Executive Officer

Certification

I, Jo-Ann Longworth, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2014 of RESOLUTE FOREST PRODUCTS INC.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2015

/s/ Jo-Ann Longworth

Jo-Ann Longworth

Senior Vice President and Chief Financial Officer

Certification

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of RESOLUTE FOREST PRODUCTS INC. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 10-K for the year ended December 31, 2014 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 2, 2015

/s/ Richard Garneau

Name: Richard Garneau

Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Resolute Forest Products Inc. and will be retained by Resolute Forest Products Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.

Certification

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of RESOLUTE FOREST PRODUCTS INC. (the “Company”), hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 10-K for the year ended December 31, 2014 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 2, 2015

/s/ Jo-Ann Longworth

Name: Jo-Ann Longworth

Title: Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Resolute Forest Products Inc. and will be retained by Resolute Forest Products Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Report or as a separate disclosure document.