Resolute Forest Products Inc. (RFP)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 11/09/2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

☐ **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; Montreal, Quebec; Canada H3C 2M1
(Address of principal executive offices) (Zip Code)

(514) 875-2515
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 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 ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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 October 31, 2012, there were 96,208,272 shares of Resolute Forest Products Inc. common stock outstanding.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
Sales	**$ 1,153**	$ 1,224	**$ 3,375**	$ 3,609
Costs and expenses:				
Cost of sales, excluding depreciation, amortization and cost of timber harvested	**895**	893	**2,616**	2,726
Depreciation, amortization and cost of timber harvested	**59**	55	**174**	164
Distribution costs	**131**	141	**385**	415
Selling, general and administrative expenses	**41**	45	**114**	122
Closure costs, impairment and other related charges	**5**	17	**98**	34
Net (gain) loss on disposition of assets	**(4)**	1	**(28)**	(3)
Operating income	**26**	72	**16**	151
Interest expense	**(17)**	(19)	**(51)**	(77)
Other income (expense), net	**19**	(68)	**22**	(51)
Income (loss) before income taxes	**28**	(15)	**(13)**	23
Income tax benefit (provision)	**3**	(27)	**12**	26
Net income (loss) including noncontrolling interests	**31**	(42)	**(1)**	49
Net (income) loss attributable to noncontrolling interests	**–**	(2)	**35**	(2)
Net income (loss) attributable to Resolute Forest Products Inc.	**$ 31**	$ (44)	**$ 34**	$ 47
Net income (loss) per share attributable to Resolute Forest Products Inc. common shareholders:				
Basic	**$ 0.32**	$ (0.46)	**$ 0.35**	$ 0.48
Diluted	**0.32**	(0.46)	**0.35**	0.48
Weighted-average number of Resolute Forest Products Inc. common shares outstanding:				
Basic	**98.1**	97.1	**98.0**	97.1
Diluted	**98.1**	97.1	**98.1**	97.1

See accompanying notes to unaudited interim consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
Net income (loss) including noncontrolling interests	**$ 31**	$ (42)	**$ (1)**	$ 49
Other comprehensive income (loss):				
Change in unamortized prior service costs and credits, net of tax of $0 for both the three and nine months ended September 30, 2012	**–**	–	**11**	–
Change in unamortized actuarial gains and losses, net of tax of $0 for both the three and nine months ended September 30, 2012	**1**	–	**(20)**	–
Foreign currency translation	**2**	(15)	**–**	4
Change in unrecognized gain on hedged transactions, net of tax of $0 for both the three and nine months ended September 30, 2011	**–**	1	**–**	1
Other comprehensive income (loss), net of tax	**3**	(14)	**(9)**	5
Comprehensive income (loss) including noncontrolling interests	**34**	(56)	**(10)**	54
Less: Comprehensive (income) loss attributable to noncontrolling interests:				
Net (income) loss	**–**	(2)	**35**	(2)
Change in unamortized actuarial gains and losses, net of tax of $0 for both the three and nine months ended September 30, 2012	**–**	–	**5**	–
Foreign currency translation	**–**	4	**3**	(1)
Comprehensive loss (income) attributable to noncontrolling interests	**–**	2	**43**	(3)
Comprehensive income (loss) attributable to Resolute Forest Products Inc.	**$ 34**	$ (54)	**$ 33**	$ 51

See accompanying notes to unaudited interim consolidated financial statements.

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

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	**$ 343**	$ 369
Accounts receivable, net:		
Trade	**603**	582
Other	**123**	168
Inventories, net	**535**	475
Assets held for sale	**57**	7
Deferred income tax assets	**112**	109
Other current assets	**63**	59
Total current assets	**1,836**	1,769
Fixed assets, net	**2,487**	2,502
Amortizable intangible assets, net	**69**	18
Deferred income tax assets	**1,803**	1,749
Other assets	**195**	260
Total assets	**$ 6,390**	$ 6,298
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 575**	$ 544
Current portion of long-term debt	**87**	–
Liabilities associated with assets held for sale	**54**	–
Total current liabilities	**716**	544
Long-term debt, net of current portion	**538**	621
Pension and other postretirement benefit obligations	**1,522**	1,524
Deferred income tax liabilities	**76**	75
Other long-term liabilities	**72**	57
Total liabilities	**2,924**	2,821
Commitments and contingencies		
Equity:		
Resolute Forest Products Inc. shareholders' equity:		
Common stock, $0.001 par value. 116.9 shares issued and 96.7 shares outstanding as of September 30, 2012; 114.1 shares issued and 97.1 shares outstanding as of December 31, 2011	**–**	–
Additional paid-in capital	**3,729**	3,687
Retained earnings	**74**	41
Accumulated other comprehensive loss	**(312)**	(311)
Treasury stock at cost, 20.2 shares and 17.0 shares as of September 30, 2012 and December 31, 2011, respectively	**(39)**	–
Total Resolute Forest Products Inc. shareholders' equity	**3,452**	3,417
Noncontrolling interests	**14**	60
Total equity	**3,466**	3,477
Total liabilities and equity	**$ 6,390**	$ 6,298

See accompanying notes to unaudited interim consolidated financial statements.

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RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited, in millions)

	Resolute Forest Products Inc. Shareholders' Equity						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interests	Total Equity
Balance as of December 31, 2011	$ –	$ 3,687	$ 41	$ (311)	$ –	$ 60	$3,477
Share-based compensation costs for equity-classified awards	–	4	–	–	–	–	4
Net income (loss)	–	–	34	–	–	(35)	(1)
Acquisition of Fibrek Inc. (2.8 newly-issued shares and 0.5 shares of treasury stock) (Note 2)	–	38	(1)	–	6	–	43
Purchases of treasury stock (3.7 shares) (Note 15)	–	–	–	–	(45)	–	(45)
Dividends paid to noncontrolling interest	–	–	–	–	–	(3)	(3)
Other comprehensive loss, net of tax	–	–	–	(1)	–	(8)	(9)
Balance as of September 30, 2012	**$ –**	**$ 3,729**	**$ 74**	**$ (312)**	**$ (39)**	**$ 14**	**$3,466**

As of December 31, 2010, the balance of noncontrolling interests was $278 million. During the nine months ended September 30, 2011, amounts attributable to noncontrolling interests consisted of net income of $2 million, dividends and distribution paid of $19 million, acquisition of a noncontrolling interest of $105 million, disposition of a noncontrolling interest of $99 million, contribution of capital of $15 million and other comprehensive income of $1 million, net of tax, which resulted in a balance of noncontrolling interests of $73 million as of September 30, 2011.

See accompanying notes to unaudited interim consolidated financial statements.

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RESOLUTE FOREST PRODUCTS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net (loss) income including noncontrolling interests	**$ (1)**	$ 49
Adjustments to reconcile net (loss) income including noncontrolling interests to net cash provided by operating activities:		
Share-based compensation	**4**	2
Depreciation, amortization and cost of timber harvested	**174**	164
Closure costs, impairment and other related charges	**89**	32
Write-downs of inventory	**7**	1
Deferred income taxes	**(8)**	(25)
Net pension contributions	**(71)**	(158)
Net gain on disposition of assets	**(28)**	(3)
(Gain) loss on translation of foreign currency denominated deferred income taxes	**(49)**	58
Loss (gain) on translation of foreign currency denominated pension and other postretirement benefit obligations	**39**	(36)
Premium related to debt redemptions	**–**	(11)
Dividends received from equity method investees in excess of income	**2**	1
Changes in working capital:		
Accounts receivable	**51**	(17)
Inventories	**(9)**	(33)
Other current assets	**9**	23
Accounts payable and accrued liabilities	**(11)**	(29)
Other, net	**(6)**	(3)
Net cash provided by operating activities	**192**	15
Cash flows from investing activities:		
Cash invested in fixed assets	**(102)**	(55)
Disposition of investment in ACH Limited Partnership	**–**	296
Disposition of other assets	**31**	19
Acquisition of Fibrek Inc., net of cash acquired (Note 2)	**(24)**	–
Proceeds from insurance settlements	**–**	8
Decrease (increase) in restricted cash	**76**	(2)
Increase in deposit requirements for letters of credit, net	**(12)**	(2)
Net cash (used in) provided by investing activities	**(31)**	264
Cash flows from financing activities:		
Purchases of treasury stock	**(45)**	–
Dividends and distribution to noncontrolling interests	**(3)**	(19)
Acquisition of noncontrolling interest	**(27)**	(15)
Payments of debt	**(112)**	(269)
Net cash used in financing activities	**(187)**	(303)
Net decrease in cash and cash equivalents	**(26)**	(24)
Cash and cash equivalents:		
Beginning of period	**369**	319
End of period	**$ 343**	$ 295

See accompanying notes to unaudited interim consolidated financial statements.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim 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" 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, coated and specialty papers, market pulp and wood products. We own or operate pulp and paper mills and wood products facilities in the United States, Canada and South Korea.

On November 7, 2011, we began doing business as Resolute Forest Products. At the annual meeting of shareholders on May 23, 2012, the shareholders approved an amendment to our certificate of incorporation to change our corporate name from AbitibiBowater Inc. to Resolute Forest Products Inc., effective May 24, 2012. The ticker symbol for our common stock was changed from "ABH" to "RFP" on the New York Stock Exchange on May 24, 2012 and on the Toronto Stock Exchange on May 28, 2012.

Financial statements

Our interim consolidated financial statements are unaudited and have been prepared in accordance with the requirements of the United States Securities and Exchange Commission (the "SEC") for interim reporting. Under those rules, certain footnotes and other financial information that are normally required by United States generally accepted accounting principles ("U.S. GAAP") may be condensed or omitted. In our opinion, all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of the unaudited interim consolidated financial statements have been made. All amounts are expressed in U.S. dollars, unless otherwise indicated. The results for the interim period ended September 30, 2012 are not necessarily indicative of the results to be expected for the full year. These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 29, 2012. Certain prior period amounts in our Consolidated Balance Sheets, Consolidated Statements of Cash Flows and footnotes have been reclassified to conform to the 2012 presentation. The reclassifications had no effect on total assets, cash and cash equivalents or net cash provided by operating activities.

Note 2. Acquisition of Fibrek Inc.

Overview

On December 15, 2011, we announced 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. On May 2, 2012, we acquired a controlling interest in Fibrek and began consolidating the results of operations, financial position and cash flows of Fibrek in our consolidated financial statements.

The acquisition of Fibrek grew our overall market pulp segment and our virgin kraft pulp capacity in particular, providing a better overall balance to our product offering. We believe that the integration of Fibrek's Saint-Félicien, Quebec mill will result in certain operational synergies as it now operates as an integrated facility, with chips supplied from our regional sawmills.

Our acquisition of Fibrek was achieved in stages. In connection with the offer, between April 11, 2012 and April 25, 2012, we acquired approximately 48.8% of the then outstanding Fibrek shares. On May 2, 2012, we acquired additional shares of Fibrek, after which we owned a controlling interest in Fibrek (approximately 50.1% of the then outstanding Fibrek shares) and Fibrek became a consolidated subsidiary. After May 2, 2012, we acquired additional shares of Fibrek and, as of May 17, 2012, the offer expiry date, we owned approximately 74.6% of the then outstanding Fibrek shares. On July 31, 2012, we completed the second step transaction for the remaining 25.4% of the outstanding Fibrek shares, pursuant to which we distributed aggregate additional consideration of approximately 0.5 million shares and Cdn$10 million ($10 million, based on the exchange rate in effect on July 31, 2012). As aggregate consideration for all of the Fibrek shares 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. The remaining portion of the consideration, expected to be approximately Cdn$14 million ($14 million, based on the exchange rate in effect on September 30, 2012), will only be paid out upon settlement or judicial determination of the fair value of claims by dissenting shareholders of Fibrek and was recorded in "Other long-term liabilities" in our Consolidated Balance Sheet as of September 30, 2012.

Initial investment

As noted above, we held an equity interest in Fibrek before we obtained control of Fibrek on May 2, 2012 (the "acquisition date"). We accounted for our initial equity investment in Fibrek as an available for sale investment since we had no ability to exert significant influence over Fibrek at any time prior to acquiring a controlling interest on May 2, 2012.

Acquisition of controlling interest

The acquisition of a controlling interest in Fibrek on May 2, 2012 was accounted for as a business combination in accordance with the acquisition method of accounting pursuant to Financial Accounting Standards Board Accounting Standards Codification 805, "Business Combinations," which requires recording identifiable assets acquired and liabilities assumed at fair value (except for deferred income taxes and pension and other postretirement benefit ("OPEB") plan obligations). Additionally, on the acquisition date, we remeasured our initial equity investment in Fibrek at the acquisition-date fair value. The acquisition-date fair value of our previously-held equity interest in Fibrek was $58 million, resulting in a loss of $1 million, which was recorded in "Other income (expense), net" in our Consolidated Statements of Operations for the nine months ended September 30, 2012.

In connection with the acquisition, we also assumed $121 million of Fibrek's outstanding indebtedness. For additional information, see Note 11, "Long-Term Debt."

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:

(Unaudited, in millions)		
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.

The total purchase price was allocated to the identifiable assets acquired and liabilities assumed based on our estimates of their fair values on the acquisition date.

RESOLUTE FOREST PRODUCTS INC.
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The following summarizes our allocation of the purchase price to the fair value of assets acquired and liabilities assumed:

(Unaudited, in millions)		
Cash and cash equivalents	$	12
Accounts receivable		60
Inventories		63
Other current assets		2
Current assets acquired		137
Fixed assets		161
Amortizable intangible assets		52
Other assets		1
Total assets acquired	$	351
Accounts payable and accrued liabilities	$	70
Short-term bank debt		36
Current portion of long-term debt		2
Current liabilities assumed		108
Long-term debt, net of current portion		83
Pension and other postretirement benefit obligations		39
Other long-term liabilities		1
Total liabilities assumed	$	231
Net assets acquired		120
Fair value of consideration transferred, including our previously-held interest of $58 million		60
Fair value of noncontrolling interest		60
	$	120

The fair value of the consideration transferred plus the fair value of the noncontrolling interest approximated the fair value of the net assets acquired. Therefore, no goodwill or gain was recognized at the acquisition date. The acquisition-date fair value of the noncontrolling interest in Fibrek was determined based on the market price we paid for Fibrek's common stock on the acquisition date.

We identified amortizable intangible assets related to energy contracts, which have a weighted-average amortization period of approximately 23 years. The fair value of the amortizable intangible assets was determined based on the discounted cash flow method.

Fibrek's results of operations have been included in our consolidated financial statements beginning on the acquisition date and are included in the market pulp segment. The amount of Fibrek's sales and net loss included in our Consolidated Statements of Operations were $94 million and $15 million, respectively, for the three months ended September 30, 2012 and were $168 million and $13 million, respectively, for the nine months ended September 30, 2012. Additionally, "Selling, general and administrative expenses" in our Consolidated Statements of Operations for the nine months ended September 30, 2012 included $7 million of transaction costs associated with the acquisition of our controlling interest in Fibrek.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

The following unaudited pro forma information for the three and nine months ended September 30, 2012 and 2011 represents our results of operations as if the acquisition of Fibrek had occurred on January 1, 2011. This pro forma information does not purport to be indicative of the results that would have occurred for the periods presented or that may be expected in the future.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited, in millions except per share data)	**2012**	2011	**2012**	2011
Sales	**$ 1,153**	$ 1,365	**$ 3,540**	$ 4,037
Net income (loss) attributable to Resolute Forest Products Inc.	**31**	(30)	**30**	77
Basic net income (loss) per share attributable to Resolute Forest Products Inc.	**0.32**	(0.30)	**0.31**	0.77
Diluted net income (loss) per share attributable to Resolute Forest Products Inc.	**0.32**	(0.30)	**0.31**	0.77

The unaudited pro forma net income (loss) attributable to Resolute Forest Products Inc. for the nine months ended September 30, 2012 excludes $18 million of both our and Fibrek's transaction costs associated with the acquisition.

Acquisition of noncontrolling interest

Subsequent to the May 2, 2012 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 September 30, 2012.

Note 3. Closure Costs, Impairment and Other Related Charges

Closure costs, impairment and other related charges for the three and nine months ended September 30, 2012 and 2011 were comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Accelerated depreciation	**$ 1**	$ 1	**$ 1**	$ 5
Impairment of assets held for sale	**(7)**	–	**63**	–
Impairment of long-lived assets	**1**	10	**1**	17
Severance and other costs	**10**	6	**33**	12
	$ 5	$ 17	**$ 98**	$ 34

Accelerated depreciation

During the three months ended September 30, 2012, we recorded accelerated depreciation charges of $1 million related to certain assets. During the three months ended September 30, 2011, we recorded accelerated depreciation charges of $1 million related to the permanent closure of our Saint-Prime, Quebec remanufacturing wood products facility. During the nine months ended September 30, 2011, we also recorded accelerated depreciation charges of $1 million related to the permanent closure of a de-inking line at our Alma, Quebec paper mill, $2 million related to the permanent closure of a paper machine and a thermomechanical pulp line at our Baie-Comeau, Quebec paper mill and $1 million as a result of the decision to cease paperboard production at our Coosa Pines, Alabama paper mill.

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Notes to Unaudited Interim Consolidated Financial Statements

Impairment of assets held for sale

During the nine months ended September 30, 2012, we recorded long-lived asset impairment charges of $63 million (including a $7 million writedown of an asset retirement obligation for environmental liabilities) related to assets held for sale in our interest in Bowater Mersey Paper Company Limited (our "Mersey operations") in Nova Scotia to reduce the carrying value of our net assets to fair value less costs to sell. During the three months ended September 30, 2012, we recorded a $7 million reversal of these impairment charges to increase the carrying value of our net assets in our Mersey operations to our revised estimate of fair value less costs to sell, without exceeding their net carrying value as of the date the decision to sell was made.

Impairment of long-lived assets

During the three months ended September 30, 2012, we recorded long-lived asset impairment charges of $1 million related to the indeterminate idling of a paper machine at our Catawba, South Carolina paper mill. During the three months ended September 30, 2011, we recorded long-lived asset impairment charges of $7 million related to our Mokpo, South Korea paper mill and $3 million related to certain scrapped equipment at our Calhoun, Tennessee paper mill to reduce the carrying value of the assets to their estimated fair value, which was determined based on the assets' estimated sale or salvage values. During the nine months ended September 30, 2011, we also recorded long-lived asset impairment charges of $7 million as a result of the decision to cease paperboard production at our Coosa Pines paper mill to reduce the carrying value of the assets to their estimated fair value, which was determined based on the assets' estimated salvage values.

Severance and other costs

During the three months ended September 30, 2012, we recorded $7 million of severance costs primarily consisting of $3 million related to a restructuring initiative at our Catawba paper mill and $2 million as a result of the indefinite idling of our Oakhill, Nova Scotia sawmill. We also recorded other costs consisting primarily of $3 million related to our idled Mersey newsprint mill. During the nine months ended September 30, 2012, we also recorded $9 million of severance costs and $7 million for a pension plan curtailment loss as a result of the indefinite idling of our Mersey newsprint mill, $2 million for a pension plan settlement loss related to a workforce reduction at our Mersey operations in the fourth quarter of 2011, $1 million of severance costs and a $3 million pension plan curtailment loss related to a workforce reduction at our Baie-Comeau paper mill in the first quarter of 2012, as well as a $1 million credit adjustment for severance costs and a $2 million pension plan curtailment loss related to the permanent closure in December 2011 of a paper machine at our Kenogami, Quebec paper mill.

During the three months ended September 30, 2011, we recorded $6 million of severance and other costs primarily for an early retirement severance program for employees at our Mokpo paper mill and miscellaneous adjustments to severance liabilities. During the nine months ended September 30, 2011, we also recorded $3 million of severance costs and a $3 million OPEB plan curtailment loss as a result of the decision to cease paperboard production at our Coosa Pines paper mill.

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RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 4. Assets Held for Sale, Liabilities Associated with Assets Held for Sale and Net (Gain) Loss on Disposition of Assets

Assets held for sale and liabilities associated with assets held for sale

Assets held for sale as of September 30, 2012 and December 31, 2011 were comprised of the following:

(Unaudited, in millions)	**September 30, 2012**	December 31, 2011
Cash and cash equivalents	**$ 2**	$ –
Accounts receivable, net	**6**	–
Inventories, net	**5**	–
Other current assets	**1**	–
Fixed assets, net	**43**	7
	$ 57	$ 7

Liabilities associated with assets held for sale as of September 30, 2012 and December 31, 2011 were comprised of the following:

(Unaudited, in millions)	**September 30, 2012**	December 31, 2011
Accounts payable and accrued liabilities	**$ 18**	$ –
Pension and other postretirement benefit obligations	**36**	–
	$ 54	$ –

As of September 30, 2012, we held for sale our Mersey operations. We expect to complete the sale of these assets within the next twelve months for amounts that equal or exceed their individual carrying values.

As of December 31, 2011, we held for sale our Petit Saguenay, Quebec sawmill and certain parcels of land.

The assets and liabilities held for sale are carried in our Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011 at the lower of carrying value or fair value less costs to sell.

Net (gain) loss on disposition of assets

During the three months ended September 30, 2012, we sold a parcel of land in Gatineau, Quebec and various other assets for total consideration of $9 million, comprised of a note receivable of $5 million and net cash proceeds of $4 million, resulting in a net gain on disposition of assets of $4 million. During the nine months ended September 30, 2012, we also sold our Petit Saguenay sawmill, our recycling division's assets located in Phoenix, Arizona, a portion of our Mersey timberlands and various other assets for proceeds of $27 million, resulting in a net gain on disposition of assets of $24 million.

During the three months ended September 30, 2011, we sold our Alabama River, Alabama paper mill and various other assets for proceeds of $11 million, resulting in a net loss on disposition of assets of $1 million. During the nine months ended September 30, 2011, we also sold our investment in ACH Limited Partnership ("ACH"), our Kenora, Ontario paper mill and various other assets for proceeds of $304 million, resulting in a net gain on disposition of assets of $4 million.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 5. Other Income (Expense), Net

Other income (expense), net for the three and nine months ended September 30, 2012 and 2011 was comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Foreign exchange gain (loss)	**$ 18**	$ (60)	**$ 21**	$ (30)
Post-emergence costs [1]	**(2)**	(13)	**(7)**	(35)
Income from equity method investments	**1**	2	**3**	1
Net gains on extinguishment of debt (Note 11)	**–**	–	**–**	4
Interest income	**–**	–	**3**	1
Acquisition-related loss (Note 2)	**–**	–	**(1)**	–
Miscellaneous income	**2**	3	**3**	8
	$ 19	$ (68)	**$ 22**	$ (51)

(1) Primarily represents ongoing legal and other professional fees for the resolution and settlement of disputed creditor claims, as well as costs for other post-emergence activities associated with the creditor protection proceedings, from which we emerged on December 9, 2010.

Note 6. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as of September 30, 2012 and December 31, 2011 was comprised of the following:

(Unaudited, in millions)	**September 30, 2012**	December 31, 2011
Unamortized prior service costs [1]	**$ 9**	$ (2)
Unamortized actuarial losses [2]	**(324)**	(309)
Foreign currency translation [3]	**3**	–
	$ (312)	$ (311)

(1) Net of deferred income taxes of zero as of both September 30, 2012 and December 31, 2011.

(2) Net of deferred income tax benefit of $127 million as of both September 30, 2012 and December 31, 2011. Net of unamortized actuarial losses of $13 million and $8 million attributable to noncontrolling interests as of September 30, 2012 and December 31, 2011, respectively.

(3) No tax effect was recorded for foreign currency translation since the investment in foreign net assets is deemed indefinitely invested. Net of noncontrolling interests of $1 million of foreign exchange losses and $2 million of foreign exchange gains as of September 30, 2012 and December 31, 2011, respectively.

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Note 7. Net Income (Loss) Per Share

The weighted-average number of common shares outstanding used to calculate basic net income (loss) per share attributable to Resolute Forest Products Inc. common shareholders was 98.1 million and 98.0 million for the three and nine months ended September 30, 2012, respectively, and 97.1 million for both the three and nine months ended September 30, 2011. The weighted-average number of common shares outstanding used to calculate diluted net income (loss) per share attributable to Resolute Forest Products Inc. common shareholders was 98.1 million for both the three and nine months ended September 30, 2012 and 97.1 million for both the three and nine months ended September 30, 2011.

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

For both the three and nine months ended September 30, 2012, the dilutive impact of 0.8 million option shares and 0.4 million equity-classified restricted stock units ("RSUs") and deferred stock units on the weighted-average number of common shares outstanding used to calculate diluted net income (loss) per share was nominal. For both the three and nine months ended September 30, 2011, the dilutive impact of 0.5 million option shares and 0.1 million equity-classified RSUs on the weighted-average number of common shares outstanding used to calculate diluted net (loss) income per share was nominal.

Note 8. Inventories, Net

Inventories, net as of September 30, 2012 and December 31, 2011 were comprised of the following:

(Unaudited, in millions)	**September 30, 2012**	December 31, 2011
Raw materials and work in process	**$ 174**	$ 152
Finished goods	**183**	168
Mill stores and other supplies	**178**	155
	$ 535	$ 475

During the nine months ended September 30, 2012, we recorded charges of $7 million for write-downs of inventory as a result of the indefinite idling of our Mersey newsprint mill. During the nine months ended September 30, 2011, we recorded charges of $1 million for write-downs of inventory as a result of the decision to cease paperboard production at our Coosa Pines paper mill. These charges were included in "Cost of sales, excluding depreciation, amortization and cost of timber harvested" in our Consolidated Statements of Operations.

Note 9. Restricted Cash

In connection with the sale of our investment in Manicouagan Power Company ("MPCo") in December 2009, we provided certain undertakings and indemnities to Alcoa Canada Ltd., our former partner in MPCo, including an indemnity for potential tax liabilities arising from the transaction. As of September 30, 2012 and December 31, 2011, we maintained a reserve of approximately Cdn$5 million ($5 million, based on the exchange rate in effect on September 30, 2012) and Cdn$83 million ($81 million, based on the exchange rate in effect on December 31, 2011), respectively, to secure those obligations. The decrease in the reserve was due to the partial release of a tax indemnity in the second quarter of 2012. This reserve was included as restricted cash in "Other assets" in our Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011.

Note 10. Severance Related Liabilities

The activity in our severance related liabilities for the nine months ended September 30, 2012 was as follows:

(Unaudited, in millions)	2012 Initiatives	2011 Initiatives	Total
Balance as of December 31, 2011	$ –	$ 11	$ 11
Charges	20	1	21
Payments	(11)	(9)	(20)
Transfer to liabilities associated with assets held for sale	(6)	–	(6)
Balance as of September 30, 2012	**$ 3**	**$ 3**	**$ 6**

During the nine months ended September 30, 2012, we recorded employee termination costs as a result of the indefinite idling of our Mersey newsprint mill, a restructuring initiative at our Catawba paper mill and workforce reductions at our Baie-Comeau paper mill and certain other paper mills. The majority of the remaining severance liability is expected to be paid in 2012.

Employee termination costs were included in "Cost of sales, excluding depreciation, amortization and cost of timber harvested," "Selling, general and administrative expenses" or "Closure costs, impairment and other related charges" in our Consolidated Statements of Operations. The severance accruals were included in "Accounts payable and accrued liabilities" in our Consolidated Balance Sheets.

Note 11. Long-Term Debt

Overview

Long-term debt, including current portion, as of September 30, 2012 and December 31, 2011, was comprised of the following:

(Unaudited, in millions)	**September 30, 2012**	December 31, 2011
10.25% senior secured notes due 2018:		
Principal amount	**$ 586**	$ 586
Unamortized premium	**32**	35
Total senior secured notes due 2018	**618**	621
Fibrek debt:		
PSIF – Investissement Quebec loan	**3**	–
Capital lease obligation	**4**	–
Total Fibrek debt	**7**	–
Total debt	**625**	621
Less: Current portion of long-term debt	**(87)**	–
Long-term debt, net of current portion	**$ 538**	$ 621

10.25% senior secured notes due 2018

Our 10.25% senior secured notes (the "2018 Notes") have a maturity date of October 15, 2018. Interest is payable on the notes on April 15 and October 15 of each year until maturity. The fair value of the 2018 Notes was $673 million and $649 million as of September 30, 2012 and December 31, 2011, respectively, and was determined by reference to quoted market prices.

On October 10, 2012, we 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. This $85 million of principal amount of the 2018 Notes was included in "Current portion of long-term debt" and the remaining balance of the 2018 Notes of $533 million was included in "Long-term debt, net of current portion" in our Consolidated Balance Sheet as of September 30, 2012.

In June 2011, we redeemed $94 million and $85 million of principal amount of the 2018 Notes at a redemption price of 105% and 103%, respectively, of the principal amount, plus accrued and unpaid interest. As a result of these redemptions, during the nine months ended September 30, 2011, we recorded net gains on extinguishment of debt of approximately $4 million, which were included in "Other income (expense), net" in our Consolidated Statements of Operations.

ABL Credit Facility

Our senior secured credit facility (the "ABL Credit Facility"), as amended, has a maturity date of October 28, 2016 and provides an asset-based revolving credit facility of up to $600 million at any time, subject to borrowing base availability. As of September 30, 2012, we had no borrowings and $54 million of letters of credit outstanding under the ABL Credit Facility. As of September 30, 2012, we had $529 million of availability under the ABL Credit Facility, which was comprised of $264 million for the U.S. borrowers (Resolute FP US Inc. and AbiBow Recycling LLC) and $265 million for the Canadian borrower (Resolute FP Canada Inc.).

Fibrek Debt

As discussed in Note 2, "Acquisition of Fibrek Inc.," we assumed Fibrek's outstanding indebtedness on the acquisition date. On July 18, 2012, Fibrek's term loan and credit facility were repaid in full, plus accrued and unpaid interest, totaling $97 million and the related agreements were cancelled and terminated.

PSIF – Investissement Quebec

On February 23, 2007, Fibrek obtained a Cdn$6 million interest-free loan granted by Investissement Quebec through the Soutien à l'industrie forestière program ("PSIF") to support investments made in the forest industry. The loan is payable in monthly installments over a maximum of four years starting December 31, 2010. Under the loan agreement, Fibrek must comply with certain restrictive covenants, including the requirement to meet certain financial ratios. As of September 30, 2012, the fair value of the loan approximated its carrying value of $3 million.

Capital lease obligation

Fibrek has a capital lease obligation for a warehouse, which can be renewed for 20 years at Fibrek's option. Minimal payments are determined by an escalatory price clause.

Promissory Note

During the nine months ended September 30, 2011, we also repaid in full a $90 million secured promissory note issued in connection with the acquisition of the noncontrolling interest in Augusta Newsprint Company.

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Note 12. Employee Benefit Plans

Pension and OPEB plans

The components of net periodic benefit cost relating to our pension and OPEB plans for the three and nine months ended September 30, 2012 and 2011 were as follows:

Pension Plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Service cost	**$ 8**	$ 10	**$ 26**	$ 28
Interest cost	**79**	82	**231**	248
Expected return on plan assets	**(86)**	(86)	**(253)**	(260)
Amortization of actuarial loss	**1**	–	**1**	–
Curtailments and settlement	**–**	–	**14**	–
	$ 2	$ 6	**$ 19**	$ 16

OPEB Plans:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited, in millions)	**2012**	2011	**2012**	2011
Service cost	**$ 1**	$ 1	**$ 2**	$ 3
Interest cost	**5**	5	**15**	16
Curtailment	**–**	–	**–**	3
	$ 6	$ 6	**$ 17**	$ 22

Events impacting net periodic benefit cost for the nine months ended September 30, 2012

In June 2012, we announced the indefinite idling of part of our Mersey operations, which resulted in the elimination of approximately 176 positions. A curtailment loss of $7 million was included in the net periodic benefit cost of our pension plans for the nine months ended September 30, 2012.

In the fourth quarter of 2011, as a result of a workforce reduction at our Mersey operations, approximately 97 positions were eliminated. A settlement loss of $2 million was included in the net periodic benefit cost of our pension plans for the nine months ended September 30, 2012.

In March 2012, we announced a workforce reduction at our Baie-Comeau paper mill, which resulted in the elimination of approximately 90 positions. A curtailment loss of $3 million was included in the net periodic benefit cost of our pension plans for the nine months ended September 30, 2012.

As a result of the permanent closure in December 2011 of a paper machine at our Kenogami paper mill, approximately 112 positions were eliminated. A curtailment loss of $2 million was included in the net periodic benefit cost of our pension plans for the nine months ended September 30, 2012.

The cost of these curtailments and settlement was included in "Closure costs, impairment and other related charges" in our Consolidated Statements of Operations for the respective periods.

Event impacting net periodic benefit cost for the nine months ended September 30, 2011

In February 2011, as a result of the decision to cease paperboard production at our Coosa Pines paper mill, approximately 137 positions were eliminated. A curtailment loss of $3 million was included in the net periodic benefit cost of our OPEB plans, which was recorded in "Closure costs, impairment and other related charges" in our Consolidated Statements of Operations for the nine months ended September 30, 2011.

RESOLUTE FOREST PRODUCTS INC.
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Defined contribution plans

The expense for our defined contribution plans totaled $5 million and $6 million for the three months ended September 30, 2012 and 2011, respectively, and $16 million and $17 million for the nine months ended September 30, 2012 and 2011, respectively.

Canadian pension funding relief

Based on agreements reached before we emerged from the creditor protection proceedings, the provinces of Quebec and Ontario adopted in 2011 specific regulations, which we refer to as the "funding relief regulations," to implement funding relief measures with respect to aggregate solvency deficits in our material Canadian registered pension plans, which we refer to as the "affected plans." These plans represented approximately 80% of our unfunded pension obligations as of December 31, 2011. The funding relief regulations are described in Note 18, "Pension and Other Postretirement Benefit Plans – Canadian pension funding relief," to our consolidated financial statements for the year ended December 31, 2011. The regulations provide that corrective measures would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations as of December 31 in any year through 2014. Thereafter, supplemental contributions would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations as of December 31 in any year on or after 2015 for the remainder of the period covered by the regulations.

Upon obtaining actuarial valuations, in the second quarter of 2012, we determined that the aggregate solvency ratio in the affected plans had not met the minimum solvency level prescribed in the regulations as of December 31, 2011. Accordingly, the regulations require that we propose, by March 2013, corrective measures designed to attain the target solvency ratio prescribed in the regulations within five years. The difference between the solvency status as of December 31, 2011 and the target specified under the funding relief regulations represents the portion of the solvency deficit that is subject to corrective measures, and amounts to approximately Cdn$500 million ($500 million, based on the exchange rate in effect on September 30, 2012). The solvency deficit is highly sensitive to changes in interest rates on government treasury securities; a 1% increase in the applicable discount rate, which is correlated to treasury security yields, would decrease the solvency deficit by approximately $450 million and vice versa.

We continue to work with other plan stakeholders, including employees, retirees, unions and the provincial governments of Quebec and Ontario to address these corrective measures.

RESOLUTE FOREST PRODUCTS INC.
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Note 13. Income Taxes

The income tax benefit (provision) attributable to income (loss) before income taxes differs from the amounts computed by applying the United States federal statutory income tax rate of 35% for the three and nine months ended September 30, 2012 and 2011 as a result of the following:

(Unaudited, in millions)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Income (loss) before income taxes	**$ 28**	$ (15)	**$ (13)**	$ 23
Income tax benefit (provision):				
Expected income tax (provision) benefit	**(9)**	5	**5**	(8)
Changes resulting from:				
Valuation allowance	**(7)**	(3)	**(35)**	(4)
Reorganization-related and other tax adjustments	**6**	–	**16**	10
Adjustment for unrecognized tax benefits	**2**	1	**6**	45
Foreign exchange	**8**	(30)	**11**	(16)
Research and development tax incentives	**1**	–	**4**	–
State income taxes and foreign tax rate differences	**3**	(1)	**4**	–
Other, net	**(1)**	1	**1**	(1)
	$ 3	$ (27)	**$ 12**	$ 26

The increase in the valuation allowance during the three months ended September 30, 2012 primarily related to Fibrek's operations where we do not recognize tax benefits. The increase in the valuation allowance during the nine months ended September 30, 2012 primarily related to costs associated with the indefinite idling of our Mersey operations where we do not recognize tax benefits. The increase in our valuation allowance during the three and nine months ended September 30, 2011 primarily related to our Mokpo, South Korea operations where we do not recognize tax benefits.

During the three and nine months ended September 30, 2012, we recorded favorable reorganization-related and other tax adjustments of $6 million and $16 million, respectively, compared to favorable reorganization-related and other tax adjustments of $10 million during the nine months ended September 30, 2011. These items represent adjustments associated with our previously reported tax balance sheet accounts.

During the three and nine months ended September 30, 2012, we recorded benefits for previously unrecognized tax benefits of $2 million and $6 million, respectively, following the conclusion of audits related to prior years. During the three and nine months ended September 30, 2011, we recognized certain tax benefits related to uncertain tax positions pursuant to FASB ASC 740, "Income Taxes," as effectively settled, as certain tax authority examinations were completed.

Note 14. Commitments and Contingencies

We are involved in various legal proceedings relating to contracts, commercial disputes, taxes, environmental issues, employment and workers' compensation claims, Aboriginal claims and other matters. We periodically review the status of these proceedings with both inside and outside counsel. Although the final outcome of any of these matters is subject to many variables and cannot be predicted with any degree of certainty, we establish reserves for a matter (including legal costs expected to be incurred) when we believe an adverse outcome is probable and the amount can be reasonably estimated. We believe that the ultimate disposition of these matters will not have a material adverse effect on our financial condition, but it could have a material adverse effect on our results of operations in any given quarter or year.

On June 12, 2012, we filed a motion for directives with the Quebec Superior Court in Canada, the court with jurisdiction in our 2010 creditor protection proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"), seeking an order to prevent pension regulators in each of Quebec, New Brunswick and Newfoundland and Labrador from declaring partial wind-ups of pension plans relating to employees of former Abitibi-Consolidated Inc. and Bowater Incorporated operations in these provinces, 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. These plans are subject to the funding relief regulations described in Note 12, "Employee Benefit Plans," and we contend, among other things, that any such declaration, if issued, would be inconsistent with the court's sanction order confirming the plan of reorganization and the terms of our emergence from the creditor protection proceedings. A partial wind-up would likely shorten the period in which any deficit within those plans would have to be funded. The pension regulators filed contestations to our motion in August 2012.

On March 31, 2010, the Canadian court in the CCAA proceedings dismissed a motion for declaratory judgment brought by the province of Newfoundland and Labrador, awarding costs in our favor, and thus confirmed our position that the five orders the province issued under section 99 of its Environmental Protection Act on November 12, 2009 were subject to the stay of proceedings pursuant to the creditor protection proceedings. The province of Newfoundland and Labrador's orders could have required us to proceed immediately with the environmental remediation of various sites we formerly owned or operated, some of which the province expropriated in December 2008. The Quebec Court of Appeal denied the province's request for leave to appeal on May 18, 2010. An appeal of that decision is now pending before the Supreme Court of Canada, which heard the matter on November 16, 2011. If leave to appeal is ultimately granted and the appeal is allowed, we could be required to make additional environmental remediation payments without regard to the creditor protection proceedings, which payments could have a material impact on our results of operations or financial condition.

On July 31, 2012, we completed the second step transaction for the remaining 25.4% of the outstanding Fibrek shares. We expect to pay additional consideration to former holders of Fibrek shares that have exercised dissenters' rights in respect of the transaction. Any such consideration will only be paid out upon settlement or judicial determination of the fair value of claims by dissenting shareholders of Fibrek. For additional information, see Note 2, "Acquisition of Fibrek Inc."

Information on our commitments and contingencies is presented in Note 20, "Commitments and Contingencies," included in our consolidated financial statements for the year ended December 31, 2011. Except as updated above, there have been no material developments to the commitments and contingencies described in our consolidated financial statements for the year ended December 31, 2011.

Note 15. Share Capital

On May 22, 2012, our board 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 three and nine months ended September 30, 2012, we repurchased 2.6 million and 3.7 million shares, respectively, at a cost of $33 million and $45 million, respectively.

On November 6, 2012, we distributed 14,758,828 shares of our common stock from the disputed claim share reserve established in connection with our December 2010 emergence from the creditor protection proceedings. Following this distribution, 4,015,994 shares remain in the disputed claim share reserve. In accordance with the terms of the plans of reorganization, further supplemental interim distributions of the shares held in reserve will be made to unsecured creditors as claims are resolved. Distributions from the disputed claim share reserve are not dilutive, as the shares in the reserve were issued and have been outstanding since emergence.

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 16. Segment Information

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

None of the income or loss items following "Operating income" 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, employee termination costs, net (gain) loss on disposition of assets and other discretionary charges or credits are not allocated to our segments. We allocate depreciation expense to our segments, although the related fixed assets are not allocated to segment assets. Additionally, all selling, general and administrative expenses, excluding employee termination costs and certain discretionary charges and credits, are allocated to our segments.

Information about certain segment data for the three and nine months ended September 30, 2012 and 2011 was as follows:

(Unaudited, in millions)	Newsprint	Coated Papers	Specialty Papers	Market Pulp [1]	Wood Products	Corporate and Other	Consolidated Total
Sales							
Third quarter 2012	**$ 404**	**$ 109**	**$ 279**	**$ 233**	**$ 128**	**$ –**	**$ 1,153**
Third quarter 2011	468	140	316	175	125	–	1,224
First nine months 2012	**1,236**	**358**	**839**	**571**	**371**	**–**	**3,375**
First nine months 2011	1,359	406	966	522	356	–	3,609
Depreciation, amortization and cost of timber harvested							
Third quarter 2012	**$ 18**	**$ 9**	**$ 11**	**$ 13**	**$ 8**	**$ –**	**$ 59**
Third quarter 2011	18	9	12	8	8	–	55
First nine months 2012	**54**	**28**	**35**	**31**	**26**	**–**	**174**
First nine months 2011	55	26	36	22	25	–	164
Operating income (loss) [2]							
Third quarter 2012	**$ 26**	**$ 3**	**$ 26**	**$ (22)**	**$ 6**	**$ (13)**	**$ 26**
Third quarter 2011	18	18	27	36	(3)	(24)	72
First nine months 2012	**79**	**6**	**68**	**(50)**	**12**	**(99)**	**16**
First nine months 2011	63	44	38	73	(20)	(47)	151

(1) Market pulp sales excluded inter-segment sales of $12 million and $7 million for the three months ended September 30, 2012 and 2011, respectively, and $31 million and $33 million for the nine months ended September 30, 2012 and 2011, respectively.

(2) Corporate and other operating loss for the three and nine months ended September 30, 2012 and 2011 included the following significant items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited, in millions)	**2012**	**2011**	**2012**	**2011**
Net gain (loss) on disposition of assets	**$ 4**	$ (1)	**$ 28**	$ 3
Closure costs, impairment and other related charges	**(5)**	(17)	**(98)**	(34)
Write-downs of inventory	**–**	–	**(7)**	(1)
Employee termination costs	**–**	(5)	**(3)**	(12)
Transaction costs in connection with our acquisition of Fibrek	**–**	–	**(7)**	–
Start up costs of idled mill	**(5)**	–	**(5)**	–
	$ (6)	$ (23)	**$ (92)**	$ (44)

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Note 17. 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 of 1933, as amended, in connection with Resolute Forest Products Inc.'s 2018 Notes that are fully and unconditionally guaranteed, on a joint and several basis, by all of our 100% owned material U.S. subsidiaries except for Fibrek's U.S. subsidiaries (the "Guarantor Subsidiaries"). The 2018 Notes are not guaranteed by our foreign subsidiaries, our less than 100% owned U.S. subsidiaries and Fibrek's U.S. subsidiaries (the "Non-guarantor Subsidiaries").

The following condensed consolidating financial information sets forth the Statements of Operations for the three and nine months ended September 30, 2012 and 2011, the Balance Sheets as of September 30, 2012 and December 31, 2011 and the Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 for Resolute Forest Products Inc. (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
For the Three Months Ended September 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	**$ –**	**$ 718**	**$ 797**	**$ (362)**	**$ 1,153**
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	**–**	**631**	**626**	**(362)**	**895**
Depreciation, amortization and cost of timber harvested	**–**	**23**	**36**	**–**	**59**
Distribution costs	**–**	**36**	**95**	**–**	**131**
Selling, general and administrative expenses	**6**	**10**	**25**	**–**	**41**
Closure costs, impairment and other related charges	**–**	**4**	**1**	**–**	**5**
Net gain on disposition of assets	**–**	**–**	**(4)**	**–**	**(4)**
Operating (loss) income	**(6)**	**14**	**18**	**–**	**26**
Interest expense	**(57)**	**(1)**	**(1)**	**42**	**(17)**
Other income, net	**–**	**47**	**14**	**(42)**	**19**
Parent's equity in income of subsidiaries	**72**	**–**	**–**	**(72)**	**–**
Income before income taxes	**9**	**60**	**31**	**(72)**	**28**
Income tax benefit (provision)	**22**	**(35)**	**16**	**–**	**3**
Net income including noncontrolling interests	**31**	**25**	**47**	**(72)**	**31**
Net loss attributable to noncontrolling interests	**–**	**–**	**–**	**–**	**–**
Net income attributable to Resolute Forest Products Inc.	**$ 31**	**$ 25**	**$ 47**	**$ (72)**	**$ 31**

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	$ –	$ 2,163	$ 2,328	$ (1,116)	$ 3,375
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	–	1,918	1,814	(1,116)	2,616
Depreciation, amortization and cost of timber harvested	–	69	105	–	174
Distribution costs	–	106	279	–	385
Selling, general and administrative expenses	18	33	63	–	114
Closure costs, impairment and other related charges	–	4	94	–	98
Net gain on disposition of assets	–	–	(28)	–	(28)
Operating (loss) income	(18)	33	1	–	16
Interest expense	(163)	(3)	(6)	121	(51)
Other income, net	–	130	13	(121)	22
Parent's equity in income of subsidiaries	150	–	–	(150)	–
(Loss) income before income taxes	(31)	160	8	(150)	(13)
Income tax benefit (provision)	65	(65)	12	–	12
Net income including noncontrolling interests	34	95	20	(150)	(1)
Net loss attributable to noncontrolling interests	–	–	35	–	35
Net income attributable to Resolute Forest Products Inc.	$ 34	$ 95	$ 55	$ (150)	$ 34

RESOLUTE FOREST PRODUCTS INC.
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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended September 30, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	$ –	$ 808	$ 811	$(395)	$ 1,224
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	–	686	602	(395)	893
Depreciation, amortization and cost of timber harvested	–	22	33	–	55
Distribution costs	–	38	103	–	141
Selling, general and administrative expenses	18	22	5	–	45
Closure costs, impairment and other related charges	–	4	13	–	17
Net (gain) loss on disposition of assets	–	(1)	2	–	1
Operating (loss) income	(18)	37	53	–	72
Interest expense	(53)	(1)	(3)	38	(19)
Other income (expense), net	–	31	(61)	(38)	(68)
Parent's equity in income (loss) of subsidiaries	6	–	–	(6)	–
(Loss) income before income taxes	(65)	67	(11)	(6)	(15)
Income tax benefit (provision)	21	(21)	(27)	–	(27)
Net (loss) income including noncontrolling interests	(44)	46	(38)	(6)	(42)
Net income attributable to noncontrolling interests	–	–	(2)	–	(2)
Net (loss) income attributable to Resolute Forest Products Inc.	$ (44)	$ 46	$ (40)	$ (6)	$ (44)

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RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Sales	$ –	$ 2,376	$ 2,364	$ (1,131)	$ 3,609
Costs and expenses:					
Cost of sales, excluding depreciation, amortization and cost of timber harvested	–	2,025	1,832	(1,131)	2,726
Depreciation, amortization and cost of timber harvested	–	67	97	–	164
Distribution costs	–	118	297	–	415
Selling, general and administrative expenses	19	45	58	–	122
Closure costs, impairment and other related charges	–	18	16	–	34
Net gain on disposition of assets	–	(1)	(2)	–	(3)
Operating (loss) income	(19)	104	66	–	151
Interest expense	(164)	(6)	(16)	109	(77)
Other income (expense), net	12	99	(53)	(109)	(51)
Parent's equity in income (loss) of subsidiaries	164	–	–	(164)	–
Income (loss) before income taxes	(7)	197	(3)	(164)	23
Income tax benefit (provision)	54	(18)	(10)	–	26
Net income (loss) including noncontrolling interests	47	179	(13)	(164)	49
Net income attributable to noncontrolling interests	–	–	(2)	–	(2)
Net income (loss) attributable to Resolute Forest Products Inc.	$ 47	$ 179	$ (15)	$ (164)	$ 47

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RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING BALANCE SHEET
As of September 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 2	$ 194	$ 147	$ –	$ 343
Accounts receivable, net	–	339	387	–	726
Accounts receivable from affiliates	–	–	370	(370)	–
Inventories, net	–	175	360	–	535
Assets held for sale	–	–	57	–	57
Deferred income tax assets	–	27	85	–	112
Notes and interest receivable from parent	–	1,358	–	(1,358)	–
Note receivable from affiliate	–	8	–	(8)	–
Note receivable from a subsidiary	41	–	–	(41)	–
Other current assets	–	23	40	–	63
Total current assets	43	2,124	1,446	(1,777)	1,836
Fixed assets, net	–	896	1,591	–	2,487
Amortizable intangible assets, net	–	–	69	–	69
Deferred income tax assets	–	522	1,281	–	1,803
Notes receivable from affiliate	–	33	–	(33)	–
Investments in and advances to consolidated subsidiaries	5,961	2,088	–	(8,049)	–
Other assets	–	97	98	–	195
Total assets	$ 6,004	$ 5,760	$ 4,485	$ (9,859)	$ 6,390
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 28	$ 160	$ 387	$ –	$ 575
Current portion of long-term debt	85	–	2	–	87
Liabilities associated with assets held for sale	–	–	54	–	54
Accounts payable to affiliates	212	158	–	(370)	–
Notes and interest payable to subsidiaries	1,358	–	–	(1,358)	–
Note payable to affiliate	–	–	8	(8)	–
Note payable to parent	–	–	41	(41)	–
Total current liabilities	1,683	318	492	(1,777)	716
Long-term debt, net of current portion	533	–	5	–	538
Long-term debt due to affiliate	–	–	33	(33)	–
Pension and other postretirement benefit obligations	–	444	1,078	–	1,522
Deferred income tax liabilities	–	–	76	–	76
Other long-term liabilities	–	34	38	–	72
Total liabilities	2,216	796	1,722	(1,810)	2,924
Total equity	3,788	4,964	2,763	(8,049)	3,466
Total liabilities and equity	$ 6,004	$ 5,760	$ 4,485	$ (9,859)	$ 6,390

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RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ –	$ 128	$ 241	$ –	$ 369
Accounts receivable, net	–	349	401	–	750
Accounts receivable from affiliates	–	–	302	(302)	–
Inventories, net	–	172	303	–	475
Assets held for sale	–	–	7	–	7
Deferred income tax assets	–	27	82	–	109
Notes and interest receivable from parent	–	1,238	–	(1,238)	–
Note receivable from affiliate	–	11	–	(11)	–
Note receivable from a subsidiary	41	–	–	(41)	–
Other current assets	–	16	43	–	59
Total current assets	41	1,941	1,379	(1,592)	1,769
Fixed assets, net	–	938	1,564	–	2,502
Amortizable intangible assets, net	–	–	18	–	18
Deferred income tax assets	–	524	1,225	–	1,749
Notes receivable from affiliate	–	33	–	(33)	–
Investments in and advances to consolidated subsidiaries	5,805	2,076	–	(7,881)	–
Other assets	–	101	159	–	260
Total assets	$ 5,846	$ 5,613	$ 4,345	$ (9,506)	$ 6,298
Liabilities and equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 15	$ 166	$ 363	$ –	$ 544
Accounts payable to affiliates	220	82	–	(302)	–
Notes and interest payable to subsidiaries	1,238	–	–	(1,238)	–
Note payable to affiliate	–	–	11	(11)	–
Note payable to parent	–	–	41	(41)	–
Total current liabilities	1,473	248	415	(1,592)	544
Long-term debt	621	–	–	–	621
Long-term debt due to affiliate	–	–	33	(33)	–
Pension and other postretirement benefit obligations	–	475	1,049	–	1,524
Deferred income tax liabilities	–	–	75	–	75
Other long-term liabilities	–	34	23	–	57
Total liabilities	2,094	757	1,595	(1,625)	2,821
Total equity	3,752	4,856	2,750	(7,881)	3,477
Total liabilities and equity	$ 5,846	$ 5,613	$ 4,345	$ (9,506)	$ 6,298

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RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2012

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by operating activities	**$ –**	**$ 126**	**$ 66**	**$ –**	**$ 192**
Cash flows from investing activities:					
Cash invested in fixed assets	**–**	**(29)**	**(73)**	**–**	**(102)**
Disposition of other assets	**–**	**–**	**31**	**–**	**31**
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) affiliate	**47**	**(31)**	**(16)**	**–**	**–**
Net cash provided by (used in) investing activities	**47**	**(60)**	**(18)**	**–**	**(31)**
Cash flows from financing activities:					
Purchases of treasury stock	**(45)**	**–**	**–**	**–**	**(45)**
Dividends to noncontrolling interest	**–**	**–**	**(3)**	**–**	**(3)**
Acquisition of noncontrolling interest	**–**	**–**	**(27)**	**–**	**(27)**
Payments of debt	**–**	**–**	**(112)**	**–**	**(112)**
Net cash used in financing activities	**(45)**	**–**	**(142)**	**–**	**(187)**
Net increase (decrease) in cash and cash equivalents	**2**	**66**	**(94)**	**–**	**(26)**
Cash and cash equivalents:					
Beginning of period	**–**	**128**	**241**	**–**	**369**
End of period	**$ 2**	**$ 194**	**$ 147**	**$ –**	**$ 343**

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2011

(Unaudited, in millions)	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net cash provided by (used in) operating activities	$ –	$ 108	$ (93)	$ –	$ 15
Cash flows from investing activities:					
Cash invested in fixed assets	–	(21)	(34)	–	(55)
Disposition of investment in ACH	–	–	296	–	296
Disposition of other assets	–	11	8	–	19
Proceeds from insurance settlements	–	–	8	–	8
Increase in restricted cash	–	–	(2)	–	(2)
Increase in deposit requirements for letters of credit, net	–	–	(2)	–	(2)
Advances from (to) affiliate	–	150	(150)	–	–
Net cash provided by investing activities	–	140	124	–	264
Cash flows from financing activities:					
Dividends and distribution to noncontrolling interests	–	–	(19)	–	(19)
Acquisition of noncontrolling interest	–	–	(15)	–	(15)
Payments of debt	–	(269)	–	–	(269)
Net cash used in financing activities	–	(269)	(34)	–	(303)
Net decrease in cash and cash equivalents	–	(21)	(3)	–	(24)
Cash and cash equivalents:					
Beginning of period	–	164	155	–	319
End of period	$ –	$ 143	$ 152	$ –	$ 295

RESOLUTE FOREST PRODUCTS INC.
Notes to Unaudited Interim Consolidated Financial Statements

Note 18. Subsequent Events

The following significant events occurred subsequent to September 30, 2012:

- As more fully discussed in Note 11, "Long-Term Debt," on October 10, 2012, we redeemed $85 million of principal amount of the 2018 Notes.
- On October 29, 2012, the province of Quebec informed us that it had granted an additional extension of the effective date to require us to transfer property of our Jim-Gray hydroelectric facility and the associated installation to the province for no consideration following the non-renewal of our water power lease on January 1, 2012. As extended, the transfer would be effective as of February 15, 2013. The province's actions are not consistent with our understanding of the water power lease in question. We continue to evaluate our legal options. At this time, we believe that the remaining useful life of the assets remains unchanged. The carrying value of the hydroelectric assets and the intangible assets associated with the Jim-Gray installation as of September 30, 2012 was approximately $94 million. If we are unable to renew the water rights at this facility, we will reevaluate the remaining useful life of these assets, which may result in accelerated depreciation and amortization charges at that time. Additional information regarding our Jim-Gray hydroelectric facility is presented in Note 4, "Amortizable Intangible Assets, Net," and Note 12, "Fixed Assets, Net," included in our consolidated financial statements for the year ended December 31, 2011.
- On November 6, 2012, we announced that we will permanently close a paper machine at our Laurentide, Quebec paper mill, effective November 26, 2012, due to an important drop in demand and an increase in market capacity of the paper grade produced by that paper machine.

RESOLUTE FOREST PRODUCTS INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") 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") provides information that we believe is useful in understanding our results of operations, cash flows and financial condition for the three and nine months ended September 30, 2012. This discussion should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited interim consolidated financial statements and related notes appearing in Item 1 of this Quarterly Report on Form 10-Q ("Unaudited Interim Consolidated Financial Statements"). On November 7, 2011, we began doing business as Resolute Forest Products. At the annual meeting of shareholders on May 23, 2012, the shareholders approved an amendment to our certificate of incorporation to change our corporate name from AbitibiBowater Inc. to Resolute Forest Products Inc., effective May 24, 2012. The ticker symbol for our common stock was changed from "ABH" to "RFP" on the New York Stock Exchange on May 24, 2012 and on the Toronto Stock Exchange on May 28, 2012.

Cautionary Statements Regarding Forward-Looking Information and Use of Third-Party Data

Statements in this Quarterly Report on Form 10-Q ("Form 10-Q") that are not reported financial results or other historical information of Resolute Forest Products 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; our business outlook; our assessment of market conditions; our liquidity outlook (including the impact of the solvency deficit in certain of our Canadian pension plans), our prospects, growth strategies and strategies for achieving our goals generally, including the strategies described under "Business Strategy and Outlook" below; and the industry in which we operate. 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-Q include risks associated with our acquisition of Fibrek Inc. ("Fibrek"), including that the businesses of Resolute Forest Products and Fibrek may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected and disruption from the transaction may make it more difficult to maintain relationships with customers, employees and suppliers, and the risks enumerated under Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the United States Securities and Exchange Commission (the "SEC") on February 29, 2012 (the "2011 Annual Report").

All forward-looking statements in this Form 10-Q are expressly qualified by the cautionary statements contained or referred to in this section and in our other filings with 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

Information about industry or general economic conditions contained in this Form 10-Q is derived from third-party sources and certain trade publications ("Third-Party Data") that we believe are widely accepted and accurate; however, we have not independently verified this information and cannot provide assurances of its accuracy.

Business Strategy and Outlook

We are guided by our vision and values, focusing on safety, profitability, accountability, sustainability and teamwork. As a result of aggressive cost reductions and mill rationalizations, today we compete as a leading, lower-cost North American producer, counting on efficient operations, strong economies of scale and access to competitive sources of energy and fiber. 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 focuses on three core themes: operational excellence, disciplined use of capital and strategic initiatives.

Operational excellence

We aim to improve our performance and margins by: (i) leveraging our lower-cost position, (ii) maintaining a stringent focus on reducing costs and optimizing our diversified asset base, (iii) maximizing the benefits of our access to virgin fiber and managing our exposure to volatile recycled fiber, (iv) pursuing our strategy of not building inventory and (v) capitalizing on our economical access to international markets to compensate for the secular decline in North American newsprint demand.

Corporate initiatives

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.

Reducing debt and associated interest charges is one of our primary financial goals. We believe this improves our financial flexibility and supports the implementation of our strategic objectives. On October 10, 2012, we redeemed $85 million of principal amount of the 2018 Notes (as defined and discussed below under "Liquidity and Capital Resources").

On May 22, 2012, our board 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 three and nine months ended September 30, 2012, we repurchased 2.6 million and 3.7 million shares, respectively, at a cost of $33 million and $45 million, respectively.

Strategic initiatives

We believe there will be 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. We believe in taking an opportunistic approach to strategic opportunities, pursuing only those that reduce our cost position, improve our product diversification, provide synergies or allow us to expand into future growth markets.

On December 15, 2011, we announced an offer to purchase all of the issued and outstanding shares of Fibrek, a producer and marketer of virgin and recycled kraft pulp, operating three mills. As of May 17, 2012, the offer expiry date, we had acquired 74.6% of the then outstanding Fibrek shares. On July 31, 2012, we completed the second step transaction for the remaining 25.4% of the outstanding Fibrek shares. As aggregate consideration for all of the Fibrek shares 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. We expect to pay additional consideration to former holders of Fibrek shares that have exercised dissenters' rights in respect of the transaction. Any such consideration will only be paid out upon settlement or judicial determination of the fair value of claims by dissenting shareholders of Fibrek and was recorded in "Other long-term liabilities" in our Consolidated Balance Sheet included in our Unaudited Interim Consolidated Financial Statements as of September 30, 2012. For additional information regarding our acquisition of Fibrek, see Note 2, "Acquisition of Fibrek Inc.," to our Unaudited Interim Consolidated Financial Statements.

Business and Financial Review

Overview

Through our subsidiaries, we manufacture newsprint, coated and specialty papers, market pulp and wood products. We operate pulp and paper manufacturing facilities in Canada, the United States and South Korea, as well as wood products manufacturing facilities in Canada and hydroelectric facilities in Quebec, Canada.

As discussed further below, newsprint, coated papers and specialty papers, particularly supercalendered high gloss papers and lightweight and directory grades, experienced decreases in North American demand in the first nine months of 2012 compared to the same period of 2011. Global shipments of market pulp increased during the first nine months of 2012 compared to the same period of 2011, particularly in China, but market pricing fell substantially. Our wood products segment benefited from a significant increase in market pricing in the first nine months of 2012 compared to the same period of 2011.

The average value of the Canadian dollar was US$1.01 and US$1.00 for the three and nine months ended September 30, 2012, respectively, compared to US $1.02 for both the three and nine months ended September 30, 2011.

Fibrek's results of operations have been included in our Unaudited Interim Consolidated Financial Statements beginning May 2, 2012, which is the date on which we acquired a controlling interest, and are included in the market pulp segment. The amount of Fibrek's sales, operating loss and net loss included in our Consolidated Statements of Operations included in our Unaudited Interim Consolidated Financial Statements ("Consolidated Statements of Operations") were $94 million, $13 million and $15 million, respectively, for the three months ended September 30, 2012 and were $168 million, $12 million and $13 million, respectively, for the nine months ended September 30, 2012. Fibrek's operating loss was primarily due to the lost production and costs associated with the Saint-Félicien, Quebec mill's five week outage for annual maintenance and necessary work to improve its operational and environmental performance.

Consolidated Results of Operations

(Unaudited, in millions, except per share amounts)	**Three Months Ended September 30, 2012**	Three Months Ended September 30, 2011	**Three Months Change**	**Nine Months Ended September 30, 2012**	Nine Months Ended September 30, 2011	**Nine Months Change**
Sales	**$ 1,153**	$ 1,224	**$ (71)**	**$ 3,375**	$ 3,609	**$ (234)**
Operating income	**26**	72	**(46)**	**16**	151	**(135)**
Net income (loss) attributable to Resolute Forest Products Inc.	**31**	(44)	**75**	**34**	47	**(13)**
Net income (loss) per share attributable to Resolute Forest Products Inc. – basic	**0.32**	(0.46)	**0.78**	**0.35**	0.48	**(0.13)**
Net income (loss) per share attributable to Resolute Forest Products Inc. – diluted	**0.32**	(0.46)	**0.78**	**0.35**	0.48	**(0.13)**
Significant items that (unfavorably) favorably impacted operating income:						
Product pricing and foreign exchange – excluding Fibrek			**$ (9)**			**$ (18)**
Shipments – excluding Fibrek			**(156)**			**(384)**
Sales – Fibrek			**94**			**168**
Change in sales			**(71)**			**(234)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested – excluding Fibrek			**91**			**264**
Cost of sales, excluding depreciation, amortization and cost of timber harvested – Fibrek			**(93)**			**(154)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**(2)**			**110**
Change in depreciation, amortization and cost of timber harvested			**(4)**			**(10)**
Change in distribution costs			**10**			**30**
Change in selling, general and administrative expenses			**4**			**8**
Change in closure costs, impairment and other related charges			**12**			**(64)**
Change in net (gain) loss on disposition of assets			**5**			**25**
			$ (46)			**$ (135)**

Three months ended September 30, 2012 versus September 30, 2011

Sales

Excluding Fibrek's sales of $94 million in the third quarter of 2012, sales on a comparable basis decreased $165 million, or 13.5%, from $1,224 million in the third quarter of 2011 to $1,059 million in the third quarter of 2012. The decrease was primarily due to lower shipments in all of our product lines, an unfavorable currency exchange on our Canadian dollar denominated sales and lower transaction prices, particularly for market pulp, largely offset by higher transaction prices for wood products. The impact of each of these items is discussed further below under "Segment Results of Operations."

Operating income

Operating income decreased $46 million to $26 million in the third quarter of 2012 compared to $72 million in the third quarter of 2011. As discussed above, operating income in the third quarter of 2012 included a $13 million operating loss related to Fibrek. The above table presents the major items that impacted operating income. A brief explanation of these major items follows.

Excluding Fibrek's results, cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $91 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower volumes ($89 million), a favorable currency exchange ($9 million, primarily due to the Canadian dollar) and lower costs for labor and benefits ($13 million, primarily due to asset optimization and restructuring initiatives) and energy ($10 million), partially offset by the timing of annual maintenance outages ($6 million), start-up costs of an idled mill ($5 million) and higher costs for regular maintenance ($3 million), chemicals ($3 million), wood and fiber ($3 million) and other unfavorable cost variances.

Distribution costs decreased $10 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower shipment volumes, partially offset by Fibrek's distribution costs of $8 million.

Selling, general and administrative expenses decreased $4 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to a reduction of $3 million of professional and consulting service fees and $4 million of corporate employee termination costs recorded in the third quarter of 2011, partially offset by $2 million of Fibrek's selling, general and administrative expenses in the third quarter of 2012.

We recorded $5 million of closure costs, impairment and other related charges in the third quarter of 2012 compared to $17 million in the third quarter of 2011. We recorded a net gain on disposition of assets of $4 million in the third quarter of 2012 compared to a net loss on disposition of assets of $1 million in the third quarter of 2011. These items are discussed further below under "Segment Results of Operations – Corporate and Other."

Net income (loss) attributable to Resolute Forest Products Inc.

Net income (loss) attributable to Resolute Forest Products Inc. in the third quarter of 2012 was $31 million of net income, or $0.32 per diluted common share, an improvement of $75 million, or $0.78 per diluted common share, compared to $44 million of net loss, or $0.46 per common share, in the third quarter of 2011. The improvement was due to a decrease in interest expense, an increase in other income (expense), net, an increase in the income tax benefit, all of which are discussed below, and a decrease in net income attributable to noncontrolling interests, offset by a decrease in operating income, as discussed above.

Nine months ended September 30, 2012 versus September 30, 2011

Sales

Excluding Fibrek's sales of $168 million in the first nine months of 2012, sales on a comparable basis decreased $402 million, or 11.1%, from $3,609 million in the first nine months of 2011 to $3,207 million in the same period of 2012. The decrease was primarily due to lower shipments in all of our product lines, an unfavorable currency exchange on our Canadian dollar denominated sales and lower transaction prices, particularly for market pulp, largely offset by higher transaction prices for specialty papers and wood products. The impact of each of these items is discussed further below under "Segment Results of Operations."

Operating income

Operating income decreased $135 million to $16 million in the first nine months of 2012 compared to operating income of $151 million in the same period of 2011. As discussed above, operating income in the first nine months of 2012 included a $12 million operating loss related to Fibrek. The above table presents the major items that impacted operating income. A brief explanation of these major items follows.

Excluding Fibrek's results, cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $264 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower volumes ($221 million), a favorable currency exchange ($41 million, primarily due to the Canadian dollar) and lower costs for natural gas ($15 million) and labor and benefits ($27 million, primarily due to asset optimization and restructuring initiatives). These lower costs were partially offset by start-up costs of an idled mill ($5 million) and higher costs for energy ($6 million, primarily due to a 2010 retroactive energy rebate recorded in the second quarter of 2011, as discussed below, and the lost income from the hydroelectric facilities of ACH Limited Partnership ("ACH"), which were sold in the second quarter of 2011), chemicals ($7 million), maintenance ($12 million), wood and fiber ($2 million) and other unfavorable cost variances. In the second quarter of 2011, we were approved for participation in the Northern Industrial Electricity Rate Program ("NIER Program") in which we earn rebates on electricity purchased and consumed by our paper mills in the province of Ontario from April 1, 2010 through March 31, 2013, provided we comply with the conditions of the program. During the second quarter of 2011, we recorded a rebate of approximately $19 million, of which approximately $8 million represented a retroactive rebate from 2010.

Distribution costs decreased $30 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower shipment volumes, partially offset by Fibrek's distribution costs of $15 million.

Selling, general and administrative expenses decreased $8 million in the first nine months of 2012 compared to the same period of 2011, primarily due to an $11 million refund in the first nine months of 2012 of certain group benefit premiums paid in prior years and $11 million of corporate employee termination costs recorded in 2011. These lower costs were partially offset by $7 million of transaction costs in connection with our acquisition of Fibrek and $5 million of Fibrek's selling, general and administrative expenses in the first nine months of 2012.

We recorded $98 million of closure costs, impairment and other related charges in the first nine months of 2012 compared to $34 million in the same period of 2011. We recorded a net gain on disposition of assets of $28 million in the first nine months of 2012 compared to $3 million in the same period of 2011. These items are discussed further below under "Segment Results of Operations – Corporate and Other."

Net income (loss) attributable to Resolute Forest Products Inc.

Net income attributable to Resolute Forest Products Inc. in the first nine months of 2012 was $34 million, or $0.35 per diluted common share, a decrease of $13 million, or $0.13 per diluted common share, compared to $47 million, or $0.48 per diluted common share, in the same period of 2011. The decrease was due to the decrease in operating income, as discussed above, and a decrease in the income tax benefit, which is discussed below, offset by a decrease in interest expense, as well as an increase in other income (expense), net, which are discussed below, and an increase in net loss attributable to noncontrolling interests. The increase in net loss attributable to noncontrolling interests was primarily due to our partner's share of the impairment, severance and other charges related to the assets held for sale in our interest in Bowater Mersey Paper Company Limited (our "Mersey operations") in Nova Scotia.

Non-operating items – three and nine months ended September 30, 2012 versus September 30, 2011

Interest expense

Interest expense decreased $2 million from $19 million in the third quarter of 2011 to $17 million in the third quarter of 2012. Interest expense decreased $26 million from $77 million in the first nine months of 2011 to $51 million in the same period of 2012. These decreases were primarily due to the redemption of $264 million of the 2018 Notes (as defined under "Liquidity and Capital Resources") in the second and fourth quarters of 2011.

Other income (expense), net

Other income (expense), net in the third quarter of 2012 and 2011 was $19 million of other income and $68 million of other expense, respectively, primarily comprised of foreign currency exchange gains of $18 million and foreign currency exchange losses of $60 million, respectively, and costs for the resolution and settlement of disputed creditor claims and other post-emergence activities associated with the creditor protection proceedings of $2 million and $13 million, respectively. Other income (expense), net in the first nine months of 2012 and 2011 was $22 million of other income and $51 million of other expense, respectively, primarily comprised of foreign currency exchange gains of $21 million and foreign currency exchange losses of $30 million, respectively, and costs for the resolution and settlement of disputed creditor claims and other post-emergence activities associated with the creditor protection proceedings of $7 million and $35 million, respectively. Foreign exchange gains and losses included in other income (expense), net are a result of the translation of Canadian dollar net monetary assets to U.S. dollars. The foreign exchange gains in the third quarter and first nine months of 2012 were due to a stronger U.S. dollar versus the Canadian dollar as of September 30, 2012 compared to a weaker U.S. dollar versus the Canadian dollar as of September 30, 2011. Other income (expense), net for the first nine months of 2012 and 2011 included interest income of $3 million and $1 million, respectively. Other expense, net, for the first nine months of 2011, also included net gains on extinguishment of debt of $4 million.

Income tax benefit (provision)

In the third quarter of 2012, an income tax benefit of $3 million was recorded on income before income taxes of $28 million, resulting in an effective tax rate of (11)%. Our effective tax rate in the third quarter of 2012 was impacted by $6 million of favorable reorganization-related and other tax adjustments as well as foreign exchange related items of $8 million, partially offset by an increase in our valuation allowance, primarily related to Fibrek's operations where we do not recognize tax benefits. In the first nine months of 2012, an income tax benefit of $12 million was recorded on a loss before income taxes of $13 million, resulting in an effective tax rate of 92%. Our effective tax rate in the first nine months of 2012 was impacted by $16 million of favorable reorganization-related and other tax adjustments, foreign exchange related items of $11 million and a $6 million benefit for previously unrecognized tax benefits, partially offset by an increase in our valuation allowance, mostly related to costs associated with the indefinite idling of our Mersey operations where we do not recognize tax benefits.

In the third quarter of 2011, an income tax provision of $27 million was recorded on a loss before income taxes of $15 million, resulting in an effective tax rate of (180)%. Our effective tax rate in the third quarter of 2011 was primarily impacted by unfavorable foreign exchange related items of $30 million. In the first nine months of 2011, an income tax benefit of $26 million was recorded on income before income taxes of $23 million, resulting in an effective tax rate of (113)%. Our effective tax rate in the first nine months of 2011 was favorably impacted by tax benefits of $45 million related to the settlement of uncertain tax positions and $10 million of reorganization-related and other tax adjustments, partially offset by unfavorable foreign exchange related items of $16 million. For additional information, see Note 13, "Income Taxes," to our Unaudited Interim Consolidated Financial Statements.

Our effective tax rate can be subject to frequent and substantial variations from the weighted-average of both domestic and foreign statutory tax rates. This results from foreign exchange related items of our Canadian subsidiaries having a functional currency (U.S. dollar) different from the currency used to determine taxable income (Canadian dollar). As a result, the foreign exchange gains and losses used to calculate the income tax provision of our Canadian subsidiaries are determined on a different basis from the foreign exchange gains and losses included in our consolidated financial statements. Due to the variability and volatility of foreign exchange rates, we are unable to estimate the impact of future changes in exchange rates on our effective tax rate.

Segment Results of Operations

We manage our business based on the products that we manufacture. Accordingly, our reportable segments correspond to our primary product lines: newsprint, coated papers, specialty papers, market pulp and wood products. None of the income or loss items following "Operating income" 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, employee termination costs, net (gain) loss on dispositions of assets and other discretionary charges or credits are not allocated to our segments. Additionally, all selling, general and administrative expenses, excluding employee termination costs and certain discretionary charges and credits, are allocated to our segments. Depreciation expense is also allocated to our segments. For additional information regarding our segments, see Note 16, "Segment Information," to our Unaudited Interim Consolidated Financial Statements.

Newsprint

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per metric ton)	**$ 655**	$ 663	**$ (8)**	**$ 655**	$ 660	**$ (5)**
Average cost (per metric ton)	**$ 613**	$ 638	**$ (25)**	**$ 613**	$ 629	**$ (16)**
Shipments (thousands of metric tons)	**617**	706	**(89)**	**1,889**	2,059	**(170)**
Downtime (thousands of metric tons)	**50**	13	**37**	**206**	66	**140**
Inventory at end of period (thousands of metric tons)	**75**	81	**(6)**	**75**	81	**(6)**
(Unaudited, in millions)						
Segment sales	**$ 404**	$ 468	**$ (64)**	**$ 1,236**	$ 1,359	**$ (123)**
Segment operating income	**26**	18	**8**	**79**	63	**16**
Significant items that (unfavorably) favorably impacted segment operating income:						
Product pricing and foreign exchange			**$ (5)**			**$ (10)**
Shipments			**(59)**			**(113)**
Change in sales			**(64)**			**(123)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**64**			**127**
Change in depreciation, amortization and cost of timber harvested			**–**			**1**
Change in distribution costs			**7**			**14**
Change in selling, general and administrative expenses			**1**			**(3)**
			$ 8			**$ 16**

Three months ended September 30, 2012 versus September 30, 2011

Segment sales decreased $64 million, or 13.7%, from $468 million in the third quarter of 2011 to $404 million in the third quarter of 2012, primarily due to lower shipment volumes to export markets. Shipments in the third quarter of 2012 decreased 89,000 metric tons, or 12.6%, compared to the third quarter of 2011.

In the third quarter of 2012, downtime at our facilities was primarily due to market conditions and capital improvements.

Segment operating income increased $8 million to $26 million in the third quarter of 2012 compared to $18 million in the third quarter of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $64 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower volumes ($34 million), a favorable currency exchange ($4 million, primarily due to the Canadian dollar) and lower costs for labor and benefits ($13 million, primarily due to asset optimization and restructuring initiatives), wood and fiber ($7 million, primarily due to lower recycled newspaper prices) and energy ($7 million), partially offset by other unfavorable cost variances.

Segment distribution costs decreased $7 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower shipment volumes.

Nine months ended September 30, 2012 versus September 30, 2011

Segment sales decreased $123 million, or 9.1%, from $1,359 million in the first nine months of 2011 to $1,236 million in the same period of 2012, primarily due to lower shipment volumes to export markets. Shipments in the first nine months of 2012 decreased 170,000 metric tons, or 8.3%, compared to the same period of 2011.

In the first nine months of 2012, downtime at our facilities was primarily market related.

Segment operating income increased $16 million to $79 million in the first nine months of 2012 compared to $63 million in the same period of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $127 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower volumes ($62 million), a favorable currency exchange ($19 million, primarily due to the Canadian dollar), lower costs for wood and fiber ($18 million, primarily due to lower recycled newspaper prices), labor and benefits ($23 million, primarily due to asset optimization and restructuring initiatives), natural gas ($6 million) and other favorable cost variances, partially offset by higher costs for energy ($8 million, primarily due to the 2010 NIER Program retroactive rebate of $5 million recorded in the second quarter of 2011 and the lost income from the hydroelectric facilities of ACH, which were sold in the second quarter of 2011).

Segment distribution costs decreased $14 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower shipment volumes.

Newsprint Third-Party Data: North American newsprint demand declined 0.6% and global newsprint demand declined 2.7% in the first nine months of 2012 compared to the same period of 2011. In the first nine months of 2012, North American net exports of newsprint were 26.3% lower than the same period of 2011. In particular, exports to Asia from North American producers have fallen 38.3%. Inventories for North American mills as of September 30, 2012 were 201,000 metric tons, which is 5.2% higher than as of September 30, 2011. The North American operating rate for newsprint was 92% in the first nine months of 2012, compared to 93% in the same period in 2011.

Coated Papers

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per short ton)	**$ 792**	$ 837	**$ (45)**	**$ 788**	$ 818	**$ (30)**
Average cost (per short ton)	**$ 768**	$ 730	**$ 38**	**$ 774**	$ 730	**$ 44**
Shipments (thousands of short tons)	**138**	167	**(29)**	**454**	497	**(43)**
Downtime (thousands of short tons)	**34**	–	**34**	**51**	2	**49**
Inventory at end of period (thousands of short tons)	**17**	31	**(14)**	**17**	31	**(14)**
(Unaudited, in millions)						
Segment sales	**$ 109**	$ 140	**$ (31)**	**$ 358**	$ 406	**$ (48)**
Segment operating income	**3**	18	**(15)**	**6**	44	**(38)**
Significant items that (unfavorably) favorably impacted segment operating income:						
Product pricing			**$ (7)**			**$ (13)**
Shipments			**(24)**			**(35)**
Change in sales			**(31)**			**(48)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**14**			**10**
Change in depreciation, amortization and cost of timber harvested			**–**			**(2)**
Change in distribution costs			**1**			**1**
Change in selling, general and administrative expenses			**1**			**1**
			$ (15)			**$ (38)**

Three months ended September 30, 2012 versus September 30, 2011

Segment sales decreased $31 million, or 22.1%, from $140 million in the third quarter of 2011 to $109 million in the third quarter of 2012 due to lower shipment volumes and lower transaction prices.

In the third quarter of 2012, downtime at our facility was primarily related to the indeterminate idling of a paper machine at our Catawba, South Carolina paper mill on June 30, 2012.

Segment operating income decreased $15 million to $3 million in the third quarter of 2012 compared to $18 million in the third quarter of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $14 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower volumes ($12 million) and lower costs for labor and benefits ($1 million, as a result of restructuring initiatives at the Catawba paper mill) and other favorable cost variances.

Segment distribution costs decreased $1 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower shipment volumes.

Nine months ended September 30, 2012 versus September 30, 2011

Segment sales decreased $48 million, or 11.8%, from $406 million in the first nine months of 2011 to $358 million in the same period of 2012 due to lower shipment volumes and lower transaction prices.

In the first nine months of 2012, downtime at our facility was primarily related to the indeterminate idling of a paper machine at our Catawba paper mill on June 30, 2012.

Segment operating income decreased $38 million to $6 million in the first nine months of 2012 compared to $44 million in the same period of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $10 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower volumes ($17 million) and lower costs for labor and benefits ($2 million), partially offset by higher costs for coating and other chemicals ($6 million) and other unfavorable cost variances.

Segment distribution costs decreased $1 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower shipment volumes.

Coated Papers Third-Party Data: North American demand for coated mechanical papers decreased 4.1% in the first nine months of 2012 compared to the same period of 2011. The North American operating rate for coated mechanical papers was 94% in the first nine months of 2012 compared to 91% in the same period of 2011. North American coated mechanical mill inventories were at 13 days of supply as of September 30, 2012 compared to 20 days of supply as of September 30, 2011.

Specialty Papers

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per short ton)	**$ 748**	$ 747	**$ 1**	**$ 748**	$ 722	**$ 26**
Average cost (per short ton)	**$ 678**	$ 682	**$ (4)**	**$ 686**	$ 693	**$ (7)**
Shipments (thousands of short tons)	**372**	422	**(50)**	**1,121**	1,337	**(216)**
Downtime (thousands of short tons)	**7**	7	**–**	**54**	65	**(11)**
Inventory at end of period (thousands of short tons)	**70**	82	**(12)**	**70**	82	**(12)**
(Unaudited, in millions)						
Segment sales	**$ 279**	$ 316	**$ (37)**	**$ 839**	$ 966	**$ (127)**
Segment operating income	**26**	27	**(1)**	**68**	38	**30**
Significant items that favorably (unfavorably) impacted segment operating income:						
Product pricing and foreign exchange			**$ 1**			**$ 29**
Shipments			**(38)**			**(156)**
Change in sales			**(37)**			**(127)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**28**			**136**
Change in depreciation, amortization and cost of timber harvested			**1**			**1**
Change in distribution costs			**4**			**14**
Change in selling, general and administrative expenses			**3**			**6**
			$ (1)			**$ 30**

Three months ended September 30, 2012 versus September 30, 2011

Segment sales decreased $37 million, or 11.7%, from $316 million in the third quarter of 2011 to $279 million in the third quarter of 2012, primarily due to lower shipment volumes.

In the third quarter of 2012, downtime at our facilities was primarily maintenance related.

Segment operating income decreased $1 million to $26 million in the third quarter of 2012 compared to $27 million in the third quarter of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $28 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower volumes ($26 million), a favorable Canadian dollar currency exchange ($3 million) and lower costs for energy ($2 million), offset by higher costs for maintenance ($3 million).

Segment distribution costs decreased $4 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower shipment volumes.

Nine months ended September 30, 2012 versus September 30, 2011

Segment sales decreased $127 million, or 13.1%, from $966 million in the first nine months of 2011 to $839 million in the same period of 2012 due to lower shipment volumes, partially offset by higher transaction prices. Lower shipment volumes resulted in part from the decision to cease paperboard production at our Coosa Pines, Alabama paper mill in the first quarter of 2011.

In the first nine months of 2012, downtime at our facilities was primarily market related.

Segment operating income increased $30 million to $68 million in the first nine months of 2012 compared to $38 million in the same period of 2011. The above table presents the items that impacted segment operating income. A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $136 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower volumes ($105 million), a favorable Canadian dollar currency exchange ($14 million) and lower costs for natural gas ($7 million), energy ($4 million, despite the 2010 NIER Program retroactive rebate recorded in the second quarter of 2011), labor and benefits ($4 million, primarily due to mill-level restructuring initiatives) and other favorable cost variances. These lower costs were partially offset by higher costs for maintenance ($4 million), as well as wood and fiber ($2 million).

Segment distribution costs decreased $14 million in the first nine months of 2012 compared to the same period of 2011 due to lower shipment volumes, partially offset by higher distribution costs per ton.

Specialty Papers Third-Party Data: In the first nine months of 2012 compared to the same period of 2011, North American demand for supercalendered high gloss papers was down 25.3%, lightweight or directory grades was down 16.9%, standard uncoated mechanical papers was down 8.0% and all specialty papers in total was down 17.0%. The North American operating rate for all specialty papers was 93% in the first nine months of 2012 compared to 92% in the same period of 2011. North American uncoated mechanical mill inventories were at 18 days of supply as of September 30, 2012 compared to 17 days of supply as of September 30, 2011.

Market Pulp

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per metric ton)	**$ 658**	$ 741	**$ (83)**	**$ 655**	$ 747	**$ (92)**
Average cost (per metric ton)	**$ 720**	$ 587	**$ 133**	**$ 712**	$ 642	**$ 70**
Shipments (thousands of metric tons):						
Excluding Fibrek	**220**	236	**(16)**	**630**	698	**(68)**
Fibrek	**135**	–	**135**	**242**	–	**242**
Downtime (thousands of metric tons):						
Excluding Fibrek	**27**	2	**25**	**136**	40	**96**
Fibrek	**82**	–	**82**	**102**	–	**102**
Inventory at end of period (thousands of metric tons):						
Excluding Fibrek	**57**	79	**(22)**	**57**	79	**(22)**
Fibrek	**42**	–	**42**	**42**	–	**42**
(Unaudited, in millions)						
Segment sales	**$ 233**	$ 175	**$ 58**	**$ 571**	$ 522	**$ 49**
Segment operating (loss) income	**(22)**	36	**(58)**	**(50)**	73	**(123)**
Significant items that (unfavorably) favorably impacted segment operating (loss) income:						
Product pricing and foreign exchange – excluding Fibrek			**$ (23)**			**$ (67)**
Shipments – excluding Fibrek			**(13)**			**(52)**
Sales – Fibrek			**94**			**168**
Change in sales			**58**			**49**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested – excluding Fibrek			**(10)**			**3**
Cost of sales, excluding depreciation, amortization and cost of timber harvested – Fibrek			**(93)**			**(154)**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**(103)**			**(151)**
Change in depreciation, amortization and cost of timber harvested			**(5)**			**(9)**
Change in distribution costs			**(7)**			**(10)**
Change in selling, general and administrative expenses			**(1)**			**(2)**
			$ (58)			**$ (123)**

Three months ended September 30, 2012 versus September 30, 2011

Excluding Fibrek's sales of $94 million in the third quarter of 2012, segment sales on a comparable basis decreased $36 million, or 20.6%, from $175 million in the third quarter of 2011 to $139 million in the third quarter of 2012 due to lower transaction prices and lower shipment volumes.

In the third quarter of 2012, downtime at our facilities was both market and maintenance related.

Segment operating (loss) income decreased $58 million to an operating loss of $22 million in the third quarter of 2012 compared to operating income of $36 million in the third quarter of 2011. As discussed above, the operating loss in the third quarter of 2012 included a $13 million operating loss related to Fibrek as a result of the lost production and costs associated with the Saint-Félicien mill's five week outage for annual maintenance and necessary work to improve its operational and environmental performance. The above table presents the items that impacted segment operating (loss) income. A brief explanation of the major items follows.

Excluding Fibrek's results, segment cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis increased $10 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to higher costs for regular maintenance ($2 million), chemicals ($5 million), labor and benefits ($3 million), the timing of annual maintenance outages ($4 million) and other unfavorable cost variances, partially offset by lower volumes ($5 million).

Segment depreciation, amortization and cost of timber harvested increased $5 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to Fibrek's depreciation and amortization costs of $4 million.

Segment distribution costs increased $7 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to Fibrek's distribution costs of $8 million, partially offset by lower shipment volumes, excluding Fibrek.

Segment selling, general and administrative expenses increased $1 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to Fibrek's selling, general and administrative expenses of $2 million.

Nine months ended September 30, 2012 versus September 30, 2011

Excluding Fibrek's sales of $168 million in the first nine months of 2012, segment sales on a comparable basis decreased $119 million, or 22.8%, from $522 million in the first nine months of 2011 to $403 million in the same period of 2012 due to lower transaction prices and lower shipment volumes.

In the first nine months of 2012, downtime at our facilities was both market and maintenance related.

Segment operating (loss) income decreased $123 million to an operating loss of $50 million in the first nine months of 2012 compared to operating income of $73 million in the same period of 2011. As discussed in more detail above, the operating loss in the first nine months of 2012 included a $12 million operating loss related to Fibrek. The above table presents the items that impacted segment operating (loss) income. A brief explanation of the major items follows.

Excluding Fibrek's results, segment cost of sales, excluding depreciation, amortization and cost of timber harvested, on a comparable basis decreased $3 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower volumes ($21 million) and a favorable Canadian dollar currency exchange ($4 million), partially offset by higher costs for chemicals ($6 million), maintenance ($6 million), labor and benefits ($3 million) and other unfavorable cost variances.

Segment depreciation, amortization and cost of timber harvested increased $9 million in the first nine months of 2012 compared to the same period of 2011, primarily due to Fibrek's depreciation and amortization costs of $6 million.

Segment distribution costs increased $10 million in the first nine months of 2012 compared to the same period of 2011, primarily due to Fibrek's distribution costs of $15 million, partially offset by lower shipment volumes, excluding Fibrek.

Segment selling, general and administrative expenses increased $2 million in the first nine months of 2012 compared to the same period of 2011, primarily due to Fibrek's selling, general and administrative expenses of $5 million.

Market Pulp Third-Party Data: Overall chemical market pulp demand increased 2.2% in the first nine months of 2012, primarily due to a 12.1% increase in demand from China, largely offset by decreases of 4.3% in North America and 3.4% in Western Europe. Global demand for softwood pulp, which represents approximately 80% of our virgin fiber capacity, was up 1.8%. Hardwood pulp demand was up 2.7%, driven mainly by a 3.4% increase in eucalyptus pulp demand. World market pulp producers shipped at 91% of capacity in the first nine months of 2012 compared to 90% in the same period of 2011. World market pulp producer inventories of softwood and hardwood grades were at 26 days and 37 days, respectively, of supply as of September 30, 2012 compared to 33 days and 43 days, respectively, of supply as of September 30, 2011. World market pulp producer inventories of all grades were at 31 days of supply as of September 30, 2012 compared to 38 days of supply as of September 30, 2011.

Wood Products

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	**Change**	**2012**	2011	**Change**
Average price (per thousand board feet)	**$ 372**	$ 298	**$ 74**	**$ 339**	$ 299	**$ 40**
Average cost (per thousand board feet)	**$ 356**	$ 305	**$ 51**	**$ 329**	$ 316	**$ 13**
Shipments (millions of board feet)	**343**	417	**(74)**	**1,094**	1,189	**(95)**
Downtime (millions of board feet)	**133**	157	**(24)**	**499**	400	**99**
Inventory at end of period (millions of board feet)	**107**	137	**(30)**	**107**	137	**(30)**
(Unaudited, in millions)						
Segment sales	**$ 128**	$ 125	**$ 3**	**$ 371**	$ 356	**$ 15**
Segment operating income (loss)	**6**	(3)	**9**	**12**	(20)	**32**
Significant items that favorably (unfavorably) impacted segment operating income (loss):						
Product pricing and foreign exchange			**$ 25**			**$ 43**
Shipments			**(22)**			**(28)**
Change in sales			**3**			**15**
Change in cost of sales, excluding depreciation, amortization and cost of timber harvested			**1**			**8**
Change in depreciation, amortization and cost of timber harvested			**–**			**(1)**
Change in distribution costs			**5**			**11**
Change in selling, general and administrative expenses			**–**			**(1)**
			$ 9			**$ 32**

Three months ended September 30, 2012 versus September 30, 2011

Segment sales increased $3 million, or 2.4%, from $125 million in the third quarter of 2011 to $128 million in the third quarter of 2012 due to significantly higher transaction prices, largely offset by lower shipment volumes.

In the third quarter of 2012, downtime at our facilities was primarily market related.

Segment operating income (loss) improved $9 million to operating income of $6 million in the third quarter of 2012 compared to an operating loss of $3 million in the third quarter of 2011. The above table presents the items that impacted segment operating income (loss). A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $1 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower volumes ($12 million), partially offset by higher costs for wood ($8 million, primarily due to higher stumpage and transportation costs related to fuel pricing and longer distances) and other unfavorable cost variances.

Segment distribution costs decreased $5 million in the third quarter of 2012 compared to the third quarter of 2011, primarily due to lower shipment volumes.

Nine months ended September 30, 2012 versus September 30, 2011

Segment sales increased $15 million, or 4.2%, from $356 million in the first nine months of 2011 to $371 million in the same period of 2012 due to higher transaction prices, partially offset by lower shipment volumes.

In the first nine months of 2012, downtime at our facilities was primarily market related.

Segment operating income (loss) improved $32 million to operating income of $12 million in the first nine months of 2012 compared to an operating loss of $20 million in the same period of 2011. The above table presents the items that impacted segment operating income (loss). A brief explanation of the major items follows.

Segment cost of sales, excluding depreciation, amortization and cost of timber harvested, decreased $8 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower volumes ($16 million), a favorable Canadian dollar currency exchange ($4 million) and other favorable cost variances, partially offset by higher costs for wood ($13 million, primarily due to higher stumpage and transportation costs related to fuel pricing and longer distances).

Segment distribution costs decreased $11 million in the first nine months of 2012 compared to the same period of 2011, primarily due to lower shipment volumes and lower distribution costs per board foot.

Wood Products Third-Party Data: Privately-owned housing starts in the U.S. increased 34.8% to a seasonally-adjusted annual rate of 872,000 units in September 2012, compared to 647,000 units in September 2011.

Corporate and Other

The following table is included in order to facilitate the reconciliation of our segment operating income (loss) to our total operating income in our Consolidated Statements of Operations.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Unaudited, in millions)	**2012**	2011	**Change**	**2012**	2011	**Change**
Cost of sales, excluding depreciation, amortization and cost of timber harvested	**$ (8)**	$ (2)	**$ (6)**	**$ (25)**	$ (5)	**$ (20)**
Selling, general and administrative expenses	**(4)**	(4)	**–**	**(4)**	(11)	**7**
Closure costs, impairment and other related charges	**(5)**	(17)	**12**	**(98)**	(34)	**(64)**
Net gain (loss) on disposition of assets	**4**	(1)	**5**	**28**	3	**25**
Operating loss	**$ (13)**	$ (24)	**$ 11**	**$ (99)**	$ (47)	**$ (52)**

Cost of sales, excluding depreciation, amortization and cost of timber harvested

Cost of sales, excluding depreciation, amortization and cost of timber harvested, in corporate and other included ongoing costs related to closed mills of $2 million and $2 million in the third quarter of 2012 and 2011, respectively, and $12 million and $4 million in the first nine months of 2012 and 2011, respectively, as well as other miscellaneous adjustments. In the third quarter and first nine months of 2012, we recorded $5 million for start-up costs of an idled mill. Additionally, in the first nine months of 2012, we recorded charges of $7 million for write-downs of inventory as a result of the indefinite idling of our Mersey operations.

Selling, general and administrative expenses

In the first nine months of 2012, we recorded $7 million of transaction costs in connection with our acquisition of Fibrek, $11 million of refunds of certain group benefit premiums paid in prior years, $2 million of corporate employee termination costs and other expenses. In the third quarter and first nine months of 2011, we recorded approximately $4 million and $11 million, respectively, of corporate employee termination costs.

Closure costs, impairment and other related charges

In the third quarter of 2012, we recorded $5 million of closure costs, impairment and other related charges for long-lived asset impairment charges and severance costs related to a restructuring initiative at our Catawba paper mill, adjustments to long-lived asset impairment charges and other costs as a result of the indefinite idling of our Mersey newsprint mill, severance costs related to the indefinite idling of our Oakhill, Nova Scotia sawmill and other miscellaneous restructuring charges. In the first nine months of 2012, we also recorded $93 million of long-lived asset impairment charges, severance and other costs as a result of the indefinite idling of our Mersey newsprint mill, severance and other costs related to a workforce reduction at our Baie-Comeau paper mill in the first quarter of 2012 and severance and other costs related to the permanent closure in December 2011 of a paper machine at our Kenogami, Quebec paper mill.

In the third quarter of 2011, we recorded $17 million of closure costs, impairment and other related charges for long-lived asset impairment charges related to our Mokpo, South Korea paper mill and certain scrapped equipment at our Calhoun, Tennessee paper mill, accelerated depreciation related to the permanent closure of our Saint-Prime, Quebec remanufacturing wood products facility, and severance and other costs primarily for an early retirement program for employees at our Mokpo paper mill and miscellaneous adjustments to severance liabilities. In the first nine months of 2011, we also recorded $17 million of accelerated depreciation related to the permanent closures of a de-inking line at our Alma, Quebec paper mill and a paper machine and a thermomechanical pulp line at our Baie-Comeau, Quebec paper mill and accelerated depreciation, long-lived asset impairment charges, severance and other costs as a result of the decision to cease paperboard production at our Coosa Pines paper mill.

For additional information, see Note 3, "Closure Costs, Impairment and Other Related Charges," to our Unaudited Interim Consolidated Financial Statements.

Net (gain) loss on disposition of assets

During the third quarter of 2012, we recorded a net gain on disposition of assets of $4 million related to the sale of a parcel of land in Gatineau, Quebec and various other assets. During the first nine months of 2012, we also recorded a net gain on disposition of assets of $24 million related to the sale of our Petit Saguenay, Quebec sawmill, our recycling division's assets located in Phoenix, Arizona, a portion of our Mersey timberlands and various other assets. During the third quarter of 2011, we recorded a net loss on disposition of assets of $1 million related to the sale of our Alabama River, Alabama paper mill and various other assets. During the first nine months of 2011, we also recorded a net gain on disposition of assets of $4 million related to the sale of our investment in ACH and various other assets.

For additional information, see Note 4, "Assets Held for Sale, Liabilities Associated with Assets Held for Sale and Net (Gain) Loss on Disposition of Assets," to our Unaudited Interim Consolidated Financial Statements.

Liquidity and Capital Resources

Overview

In addition to cash and cash equivalents and net cash provided by operations, our principal external source of liquidity is the ABL Credit Facility, which is defined and discussed below. As of September 30, 2012, we had cash and cash equivalents of $343 million and had $529 million of availability under the ABL Credit Facility. We believe that these sources provide us with adequate liquidity. For the balance of 2012, we anticipate that we may use cash on hand to continue to repurchase shares of our common stock. Subsequent to September 30, 2012, we used cash on hand to redeem $85 million of principal amount of the 2018 Notes (as further discussed below).

10.25% senior secured notes due 2018

Our 10.25% senior secured notes (the "2018 Notes") have a maturity date of October 15, 2018. Interest is payable on the notes on April 15 and October 15 of each year until maturity. As of September 30, 2012 and December 31, 2011, the carrying value of the 2018 Notes was $618 million and $621 million, respectively, which included an unamortized premium of $32 million and $35 million, respectively. On October 10, 2012, we 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. Standard & Poor's recently affirmed its long-term corporate credit rating and upgraded its rating of our 2018 Notes to BB, from BB-. Moody's Investors Service also upgraded the corporate family rating and the 2018 Notes rating to Ba3 from B1.

ABL Credit Facility

Our senior secured credit facility (the "ABL Credit Facility"), as amended, has a maturity date of October 28, 2016 and provides an asset-based revolving credit facility of up to $600 million at any time, subject to borrowing base availability. As of September 30, 2012, we had no borrowings and $54 million of letters of credit outstanding under the ABL Credit Facility. As of September 30, 2012, we had $529 million of availability under the ABL Credit Facility, which was comprised of $264 million for the U.S. borrowers (Resolute FP US Inc. and AbiBow Recycling LLC) and $265 million for the Canadian borrower (Resolute FP Canada Inc.).

RESOLUTE FOREST PRODUCTS INC.

Flow of funds

Summary of cash flows

A summary of cash flows for the nine months ended September 30, 2012 and 2011 was as follows:

(Unaudited, in millions)	**2012**	2011
Net cash provided by operating activities	**$ 192**	$ 15
Net cash (used in) provided by investing activities	**(31)**	264
Net cash used in financing activities	**(187)**	(303)
Net decrease in cash and cash equivalents	**$ (26)**	$ (24)

Cash provided by operating activities

The $177 million increase in cash provided by operating activities in the first nine months of 2012 compared to the same period of 2011 was primarily related to an increase in cash generated by the changes in working capital and lower pension contributions in the first nine months of 2012 compared to the same period of 2011. The lower pension contributions were largely due to $58 million of additional and accelerated contributions for the last quarter of 2011 and the first half of 2012 to our Canadian pension plans in the third quarter of 2011.

Cash (used in) provided by investing activities

The $295 million decrease in cash provided by investing activities in the first nine months of 2012 compared to the same period of 2011 was primarily due to lower proceeds from the disposition of assets (largely the disposition of our investment in ACH in the first nine months of 2011), the cash portion of the consideration paid for the acquisition of Fibrek in the first nine months of 2012 and an increase in cash invested in fixed assets in the first nine months of 2012 compared to same period of 2011. These changes were partially offset by a decrease in restricted cash in the first nine months of 2012 compared to the same period of 2011 due to the partial release of a tax indemnity given in connection with the sale of our interest in Manicouagan Power Company in 2009.

Capital expenditures for both periods included compliance, maintenance and value-added projects on efficient and lower-cost production facilities.

Cash used in financing activities

The $116 million decrease in cash used in financing activities in the first nine months of 2012 compared to the same period of 2011 was primarily due to lower payments of debt (Fibrek debt repayments in 2012 compared to redemptions of 2018 Notes in 2011 partially related to the disposition of ACH) and lower dividends and distribution to noncontrolling interests in the first nine months of 2012 compared to the same period of 2011, partially offset by purchases of treasury stock in the first nine months of 2012 and higher payments for the acquisition of a noncontrolling interest in the first nine months of 2012 compared to the same period of 2011 (Fibrek in 2012 and Augusta Newsprint Company in 2011).

Employee Benefit Plans

Canadian pension funding relief

Based on agreements reached before we emerged from the creditor protection proceedings, the provinces of Quebec and Ontario adopted in 2011 specific regulations, which we refer to as the "funding relief regulations," to implement funding relief measures with respect to aggregate solvency deficits in our material Canadian registered pension plans, which we refer to as the "affected plans." These plans represented approximately 80% of our unfunded pension obligations as of December 31, 2011. The funding relief regulations are described in Note 18, "Pension and Other Postretirement Benefit Plans – Canadian pension funding relief," to our consolidated financial statements for the year ended December 31, 2011. The regulations provide that corrective measures would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations as of December 31 in any year through 2014. Thereafter, supplemental contributions would be required if the aggregate solvency ratio in the affected plans falls below a prescribed level under the target specified by the regulations as of December 31 in any year on or after 2015 for the remainder of the period covered by the regulations.

Upon obtaining actuarial valuations, in the second quarter of 2012, we determined that the aggregate solvency ratio in the affected plans had not met the minimum solvency level prescribed in the regulations as of December 31, 2011. Accordingly, the regulations require that we propose, by March 2013, corrective measures designed to attain the target solvency ratio prescribed in the regulations within five years. The difference between the solvency status as of December 31, 2011 and the target specified under the funding relief regulations represents the portion of the solvency deficit that is subject to corrective measures, and amounts to approximately Cdn$500 million ($500 million, based on the exchange rate in effect on September 30, 2012). The solvency deficit is highly sensitive to changes in interest rates on government treasury securities; a 1% increase in the applicable discount rate, which is correlated to treasury security yields, would decrease the solvency deficit by approximately $450 million and vice versa.

We continue to work with other plan stakeholders, including employees, retirees, unions and the provincial governments of Quebec and Ontario to address these corrective measures. With interest rates currently near historic lows, we will work with these stakeholders to develop corrective measures that balance the need to meet our undertakings to retirees, but also provide us the funding predictability we need to manage our business.

Recent Accounting Guidance

There is no new accounting guidance issued which we have not yet adopted that is expected to materially impact our results of operations or financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to quantitative and qualitative disclosures about market risk is disclosed in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our 2011 Annual Report. There have been no material changes in our exposure to market risk as previously disclosed in our 2011 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures:

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 September 30, 2012. 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 SEC.

(b) Changes in Internal Control over Financial Reporting:

In connection with the evaluation of internal control over financial reporting, there were no changes during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information on our legal proceedings is presented under Part I, Item 3, "Legal Proceedings," in our 2011 Annual Report. Except as updated in our previously filed quarterly report on Form 10-Q for the period ended June 30, 2012, there have been no material changes to the legal proceedings described in our 2011 Annual Report.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors set forth under Part I, Item 1A, "Risk Factors," in our 2011 Annual Report, which could materially affect our business, financial condition or future results. The risks described in this report and in our 2011 Annual Report are not the only risks we are facing. 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. There have been no material changes to the risk factors previously disclosed in our 2011 Annual Report.

RESOLUTE FOREST PRODUCTS INC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information about our stock repurchases for the three months ended September 30, 2012:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [1]
July 1 to July 31	–	$ –	–	$ 87,861,199
August 1 to August 31	2,009,634	12.46	2,009,634	62,824,994
September 1 to September 30	600,046	12.49	600,046	55,328,240
Total	2,609,680	$ 12.47	2,609,680	$ 55,328,240

(1) On May 22, 2012, our board approved a share repurchase program of up to 10% of our common stock, for an aggregate purchase price of up to $100 million.

As of October 31, 2012, we repurchased 487,505 additional shares at an average price per share of $12.40 for a total cost of $6 million.

RESOLUTE FOREST PRODUCTS INC.

ITEM 6. EXHIBITS

Exhibit No.	Description
†10.1*	First Amendment to the AbitibiBowater 2010 DC Supplemental Executive Retirement Plan, effective as of December 31, 2011.
†10.2*	Resolute Forest Products Equity Incentive Plan (previously named the AbitibiBowater Inc. 2010 Equity Incentive Plan), effective as of December 9, 2010.
†10.3*	Resolute Forest Products Outside Director Deferred Compensation Plan (previously named the AbitibiBowater Inc. Outside Director Deferred Compensation Plan), effective as of April 1, 2011.
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.

* Filed with this Form 10-Q.

† This is a management contract or compensatory plan or arrangement.

** Interactive data files furnished with this Form 10-Q, which represent the following materials from this Form 10-Q formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statement of Changes in Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Unaudited Interim Consolidated Financial Statements. Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions or other liability provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In addition, users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

RESOLUTE FOREST PRODUCTS INC.

SIGNATURES

Pursuant to the requirements 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.

By	/s/ Jo-Ann Longworth
	Jo-Ann Longworth
	Senior Vice President and Chief Financial Officer
By	/s/ Silvana Travaglini
	Silvana Travaglini
	Vice President and Chief Accounting Officer

Dated: November 9, 2012

RESOLUTE FOREST PRODUCTS INC.

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FIRST AMENDMENT
TO THE
ABITIBIBOWATER 2010 DC SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, Resolute Forest Products Inc. (formerly named AbitibiBowater Inc.) (the "Company") adopted and established the AbitibiBowater 2010 DC Supplemental Executive Retirement Plan (the "Plan") effective December 9, 2010, as may be amended from time to time;

WHEREAS, Section 10.1 of the Plan reserves to the Plan Administrator of the Plan the right to terminate the Plan at any time and from time to time, and the discretion to accelerate distribution of the accounts of participants;

WHEREAS, Section 2.24 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, pursuant to the Human Resources and Compensation/Nominating and Governance Charter, the Plan Administrator recommended to the Company's Board of Directors that the Plan be terminated and liquidated in accordance with US Internal Revenue Code Section 409A, and the Board of Directors approved the termination and liquidation of the Plan.

NOW THEREFORE, BE IT RESOLVED, that effective as of December 31, 2011, the Plan is hereby amended by adding a new subsection (c) to Section 1.1 of the Plan to read as follows:

"(c) Notwithstanding anything in the Plan to the contrary, the provisions of this subsection will govern. Effective December 31, 2011, the Plan is terminated. No otherwise eligible Employee will become a Participant in the Plan as of January 1, 2012 or later. For any individual who is a Participant on December 31, 2011, no further contributions shall be credited to his Account on or after January 1, 2012 pursuant to Article 4, but he shall continue to have the right to receive Interest or direct investment of any amounts credited to his Account pursuant to Article 5, as the case may be. However, for Canadian Participants who are not subject to Code Section 409A, distribution of their Accounts shall be made between January 1, 2012 and March 31, 2012 (inclusive) and Interest shall be credited on the value of the Account as of the date of distribution at the 1-year Canadian Deposit Offered Rate (CDOR) as of the date of the termination of the Plan.

For Canadian Participants who are subject to Code Section 409A and U.S. Participants, (a) Interest shall be credited on the value of a Canadian Participant's Account as of October 31, 2012 at a rate equal to the 1-year Canadian Deposit Offered Rate (CDOR) as of the date of the termination of the Plan and (b) the right to direct investment of any amounts credited to a U.S. Participant's Account shall cease as of October 30, 2012 and as of October 31, 2012, the amount credited to a Participant's Account shall be fixed. No later than December 31, 2012, the Participant will receive a single lump sum distribution of an amount equal to his Account balance determined as of October 31, 2012. This subsection shall be interpreted and administered consistent with the regulations promulgated by the Department of the Treasury under Code Section 409A."

*   *   *

IN **WITNESS WHEREOF,** the undersigned officer of Resolute Forest Products Inc. has executed this document pursuant to the authority granted to him by the Board of Directors of Resolute Forest Products Inc. by resolution adopted October 25, 2011.

Resolute Forest Products Inc.

By:	/s/ Pierre Laberge
	Pierre Laberge
Its:	Senior Vice President, Human Resources

RESOLUTE FOREST PRODUCTS
EQUITY INCENTIVE PLAN

SECTION 1
GENERAL

1.1 Purpose.

The Resolute Forest Products Equity Incentive Plan (previously named the AbitibiBowater Inc. 2010 Equity Incentive Plan) (the "Plan") has been established by Resolute Forest Products Inc. (formerly AbitibiBowater Inc.) (the "Company") to (i) attract and retain persons eligible to participate in the Plan including directors, officers, employees, consultants and advisors of the Company, its Affiliates and its Subsidiaries; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further align Participants' interests with those of the Company's other stockholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Subsidiaries, including the growth in value of the Company's equity and enhancement of long-term stockholder return.

1.2 Operation, Administration, and Definitions.

The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Sections 3 and 7. Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 2).

SECTION 2
DEFINED TERMS

In addition to the other definitions contained herein, the following definitions shall apply:

2.1 Act.

The term "Act" means the Securities Exchange Act of 1934, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

2.2 Affiliate.

The term "Affiliate" shall have the meaning ascribed to it in Rule 12b-2 of the Act.

2.3 Award.

The term "Award" means any award or benefit granted under the Plan, including, without limitation, the grant of Options, SARs, Full Value Awards, Cash Incentive Awards and Performance-Based Compensation.

2.4 Board.

The term "Board" means the Board of Directors of the Company.

2.5 Cause.

The term "Cause" means, in the case of a particular Award, unless the applicable Award Agreement states otherwise, (i) the Company, an Affiliate or a Subsidiary having "cause" to terminate a Participant's employment or service, as defined in any employment or consulting agreement between the Participant and the Company, an Affiliate or a Subsidiary in effect at the time of such termination or (ii) in the absence of any such employment or consulting agreement (or the absence of any definition of "Cause" contained therein), (A) the Participant's commission of a felony or a crime involving moral turpitude, or other material act or omission involving dishonesty or fraud, (B) Participant's engaging in conduct that would bring or is reasonably likely to bring the Company, or any of its Affiliates or Subsidiaries into public disgrace or disrepute or that would affect the Company's or any Affiliate's or Subsidiary's business in any material way, (C) the Participant's failure to perform duties as reasonably directed by the Company (which, if reasonably curable, is not cured within 10 days after notice thereof is provided to the Participant) or (D) the Participant's gross negligence, willful malfeasance or material act of disloyalty or other breach of fiduciary duty with respect to the Company, its Affiliates or Subsidiaries (which, if reasonably curable, is not cured within 10 days after notice thereof is provided to the Participant). Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

2.6 Code.

The term "Code" means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulations or guidance.

2.7 Date of Grant.

The term "Date of Grant" means the date on which the granting of an Award is authorized, or such other date as may be specified in such authorization.

2.8 "Detrimental Activity"

means any of the following: (i) unauthorized disclosure of any confidential or proprietary information of the Company, its Affiliates or Subsidiaries, (ii) any activity that would be grounds to terminate the Participant's employment or service with the Company, an Affiliate or a Subsidiary for Cause, (iii) whether in writing or orally, maligning, denigrating or disparaging the Company, its Affiliates, its Subsidiaries, or their respective predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publishing (whether in writing or orally) statements that tend to portray any of the aforementioned persons or entities in an unfavorable light, or (iv) the breach of any noncompetition, nonsolicitation or other agreement containing restrictive covenants, with the Company, its Affiliates or Subsidiaries.

2.9 Disability.

The term "Disability" shall have the meaning contained in the Company's applicable long-term disability plan, or if no such plan exists or the Participant is not eligible to participate in such plan, then the Participant's inability, due to physical or mental incapacity, to substantially perform his duties and responsibilities for 180 consecutive days. Any determination as to whether Disability exists shall be made by the Committee in its sole discretion.

2.10 Effective Date.

The term "Effective Date" means the later of (i) the effective date of the Second Amended Joint Plan of Reorganization of AbitibiBowater Inc. and its Affiliated Debtors, dated August 2, 2010, as confirmed by the United States Bankruptcy Court for the District of Delaware; and (ii) the date the sanction order by the Québec Superior Court of Justice shall have been made and entered and the operation and effect of such order will not have been stayed, reversed or amended, which sanction order will sanction the plan of reorganization and compromise jointly filed by certain direct and indirect subsidiaries of Resolute Forest Products Inc. (formerly named AbitibiBowater Inc.) pursuant to the provisions of the *Companies' Creditors Arrangement Act* (Canada), as such order may be amended, or supplemented from time to time.

2.11 Eligible Individual.

For purposes of the Plan, the term "Eligible Individual" means any employee of the Company or a Subsidiary, any director, officer, consultant, advisor (who may be offered securities registrable on Form S-8 of the Securities Act) or other persons providing services to the Company or a Subsidiary; provided, however, that an ISO may only be granted to an employee of the Company or a Subsidiary. An Award may be granted to an employee or other individual providing services, in connection with hiring, retention or otherwise, prior to the date the employee or individual first performs services for the Company or the Subsidiaries, provided that such individual has accepted an offer of employment or consultancy from the Company or a Subsidiary and would satisfy the foregoing once he or she begins employment with or providing services to the Company or a Subsidiary and such Awards shall not become vested prior to the date the employee or service provider first performs such services.

2.12 Emergence Date Grant.

The term "Emergence Date Grant" means the grant of an Option or a grant of an Award of restricted stock units that is approved prior to, at or about the Effective Date in connection with the emergence of the Company from creditors protection.

2.13 Exercise Price.

The "Exercise Price" of each Option and/or SAR granted under Section 4 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted. The Exercise Price per share of Stock shall not be less than 100% of the Fair Market Value of a share of Stock on the Date of Grant (or, if greater, the par value of a share of Stock); provided, however, that the Exercise Price for an Emergence Date Grant that is an Option shall be equal to the arithmetic mean of the per-share closing trading price of the Stock for the thirty (30) calendar day period commencing on the Listing Date.

2.14 Fair Market Value.

"Fair Market Value" means, on a given date, except as otherwise determined by the Committee and set forth in an Award Agreement, (i) if the Stock is listed on a national securities exchange, the simple arithmetic mean between the highest and lowest prices per share at which the Stock is traded as reported for the national securities exchange for the day immediately preceding that date, or if not so traded, the simple arithmetic mean between the closing bid-and-asked prices thereof as reported for such national securities exchange on the day immediately preceding that date, rounded to the nearest number within two decimal places; (ii) if the Stock is not listed on any national securities exchange but is quoted in an inter-dealer quotation system on a last sale basis, the simple arithmetic mean between the closing bid-and-asked prices thereof as reported for such quotation system for the day immediately preceding that date, rounded to the nearest number within two decimal places; or (iii) if the Stock is not listed on a national securities exchange or quoted in an inter-dealer quotation system on a last sale basis, the amount determined by the Committee in good faith to be the fair market value of the Stock.

2.15 ISO.

The term "ISO" means an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code.

2.16 Listing Date.

The date on which the shares of Stock are officially listed or quoted for trading on the New York Stock Exchange.

2.17 Negative Discretion.

The term "Negative Discretion" means the discretion authorized by the Plan to be applied by the Committee to eliminate or reduce the size of a Performance-Based Compensation Award consistent with Section 162(m) of the Code.

2.18 NQO.

The term "NQO" means an Option that is not intended to be an ISO.

2.19 Option.

The term "Option" means an ISO or NQO granted under Section 4 which entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee.

2.20 Participant.

The term "Participant" means an Eligible Individual who has been selected by the Committee to participate in the Plan and to receive an Award subject to the Plan.

2.21 Performance-Based Compensation.

The term "Performance-Based Compensation" shall have the meaning ascribed to it under Code section 162(m) and the regulations thereunder.

2.22 "Performance Formula"

shall mean, for a Performance Period, the one or more objective formulae applied against the relevant Performance Goal to determine, with regard to the Performance-Based Compensation of a particular Participant, whether all, some portion but less than all, or none of the Performance-Based Compensation has been earned for the Performance Period.

2.23 "Performance Goals"

shall mean, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Measures.

2.24 Performance Measures

The term "Performance Measures" shall mean the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance-Based Compensation under the Plan.

2.25 "Performance Period"

shall mean the one or more periods of time, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, Performance-Based Compensation.

2.26 Person.

The term "Person" means any individual, firm, corporation, partnership, trust or other entity.

2.27 Securities Act.

The term "Securities Act" means the Securities Act of 1933, as amended, and any successor thereto. Reference in the Plan to any section of (or rule promulgated under) the Securities Act shall be deemed to include any rules, regulations or other interpretative guidance under such section or rule, and any amendments or successor provisions to such section, rules, regulations or guidance.

2.28 Subsidiaries.

For purposes of the Plan, the term "Subsidiary" means any corporation, partnership, joint venture or other entity during any period in which at least a fifty percent voting or profits interest is owned, directly or indirectly, by the Company (or by any entity that is a successor to the Company), and any other business venture designated by the Committee in which the Company (or any entity that is a successor to the Company) has a significant interest, as determined in the discretion of the Committee.

2.29 Stock.

The term "Stock" means shares of common stock of the Company, par value $.001 per share (and any stock or other securities into which such common stock may be converted or into which it may be exchanged).

SECTION 3
COMMITTEE

3.1 Administration.

(a) The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the "Committee") in accordance with this Section 3. Unless otherwise specified herein, all references to the Committee shall refer to the Human Resources and Compensation and Nominating and Governance Committee of the Company. The Committee shall be selected by the Board, and shall consist solely of two or more members of the Board who are intended to qualify as "non-employee directors" under Rule 16b-3 of the Act and "outside directors" as defined in Treasury Regulation Section 1.162-27(e)(3) (an "Eligible Director"). If the Committee does not exist, or for any other reason determined by the Board, and to the extent not prohibited by applicable law or the applicable rules of any stock exchange, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee, and upon such event all references to the Committee shall be deemed to refer to the Board. However, the fact a Committee member shall fail to qualify as an Eligible Director shall not invalidate any Award granted by the Committee that is otherwise validly granted under the Plan.

(b) No member of the Board, the Committee or any employee or agent of the Company (each such person, an "Indemnifiable Person") shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award hereunder. Each Indemnifiable Person shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense (including attorneys' fees) that may be imposed upon or incurred by such Indemnifiable Person in connection with or resulting from any action, suit or proceeding to which such Indemnifiable Person may be a party or in which such Indemnifiable Person may be involved by reason of any action taken or omitted to be taken or determination made under the Plan or any Award Agreement and against and from any and all amounts paid by such Indemnifiable Person with the Company's approval, in settlement thereof, or paid by such Indemnifiable Person in satisfaction of any judgment in any such action, suit or proceeding against such Indemnifiable Person, and the Company shall advance to such Indemnifiable Person any such expenses promptly upon written request (which request shall include an undertaking by the Indemnifiable Person to repay the amount of such advance if it shall ultimately be determined as provided below that the Indemnifiable Person is not entitled to be indemnified); provided that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding and once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company's choice. The foregoing right of indemnification shall not be available to an Indemnifiable Person to the extent that a final judgment or other final adjudication (in either case not subject to further appeal) binding upon such Indemnifiable Person determines that the acts or omissions or determinations of such Indemnifiable Person giving rise to the indemnification claim resulted from such Indemnifiable Person's fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company's Certificate of Incorporation or Bylaws. The foregoing right of indemnification shall not be exclusive of or otherwise supersede any other rights of indemnification to which such Indemnifiable

Persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, individual indemnification agreement or contract or otherwise, or any other power that the Company may have to indemnify such Indemnifiable Persons or hold them harmless.

3.2 Powers of Committee.

The Committee's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Individuals those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria (including Performance Measures), restrictions, vesting requirements and other provisions of such Awards, and (subject to the restrictions imposed by Section 9) to modify or waive, at or after the Date of Grant of an Award, the vesting, exercisability or other terms of an Award or otherwise amend, cancel, or suspend Awards.

(b) The Committee will have the authority to determine to what extent, and under what circumstances Awards may be settled or exercised in cash, shares of Stock, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; and to what extent, and under what circumstances the delivery of cash, Stock, other securities, other Awards or other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant or of the Committee.

(c) To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States, and to provide for subplans created under the Plan in any such jurisdiction outside the United States.

(d) The Committee will have the authority and discretion to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to an Award granted under the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreement made pursuant to the Plan, and to make all other determinations and take any other action that may be necessary or advisable for the administration of the Plan.

(e) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(f) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the Certificate of Incorporation and Bylaws and other organizational documents of the Company, and applicable state corporate law.

3.3 Delegation by Committee.

Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time. Without limiting the generality of the foregoing, the Committee may delegate to one or more officers of the Company or any Affiliate or Subsidiary the authority to act on behalf of the Committee with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Committee herein, and which may be so delegated as a matter of law, except for grants of Awards to persons (i) subject to Section 16 of the Act or (ii) who are, or who are reasonably expected to be, "covered employees" for purposes of Code Section 162(m).

3.4 Information to be Furnished to Committee.

The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment (or other provision of services), termination of employment (or cessation of the provision of services), leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan

SECTION 4
OPTIONS AND SARS

4.1 Definitions.

(a) Each Option granted under the Plan shall be subject to an Award Agreement. All Options granted under the Plan shall be NQO's unless the applicable Award Agreement expressly states that the Option is intended to be an ISO. ISO's shall be granted only to Eligible Persons who are employees of the Company, its Affiliates or its Subsidiaries, and no ISO shall be granted to any Eligible Person who is ineligible to receive an ISO under the Code. In the case of an ISO, the terms and conditions of such grant shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code. If for any reason an Option intended to be an ISO (or any portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option or portion thereof shall be regarded as a NQO appropriately granted under the Plan.

(b) A stock appreciation right (a "SAR") entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 8.8, a payment equal to (or otherwise based on) the excess (if any) of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee. Each SAR granted under the Plan shall be subject to an Award Agreement.

4.2 Exercise.

Unless otherwise provided by the Committee in an Award Agreement: (i) each Option and SAR shall vest and become exercisable with respect to 25% of the shares of Stock subject to such Option or SAR on each of the first four anniversaries of the Date of Grant (the "Option Period" or "SAR Period", as applicable), subject to continued employment or service of the Participant through each such vesting date; (ii) both the unvested and the vested portion of an Option and SAR shall expire upon the termination of the Participant's employment or service for Cause; (iii) upon retirement (in accordance with applicable policy), each Option and SAR shall vest based on prorated time elapsed, and the vested portion of the Options and

SARs shall remain exercisable during the 1-year period immediately following such retirement (upon death after retirement, any then vested Options and SARs remain exercisable for 2 years following death); (iv) upon the Participant's involuntary termination of employment or service with retirement eligibility at termination or immediately following any applicable severance period, each Option and SAR shall vest based on prorated time elapsed, including any applicable severance period, and the vested portion of the Options and SARs shall remain exercisable during the 1-year period immediately following such termination (upon death after such termination, any then vested Options and SARs remain exercisable for 2 years following death); (v) upon the Participant's involuntary termination of employment or service prior to retirement eligibility, each Option and SAR shall vest based on prorated time elapsed, including any applicable severance period, and the vested portion of the Options and SARs shall remain exercisable for 1 year (upon death after such termination, any then vested Options/SARs remain exercisable for 2 years following death); (vi) upon the Participant's death while employed, each Option and SAR shall become vested with respect to the next tranche of shares of Stock scheduled to vest, and the vested portion of the Options and SARs shall remain exercisable for 2 years; (vii) upon the Participant's termination of employment or service due to resignation, any then vested Options and SARs remain exercisable for 90 days (upon death after such resignation, any then vested Options and SARs remain exercisable for 1 year following death); and (viii) each Option and SAR shall continue to vest during any applicable short-term disability period, and upon the Participant's becoming eligible for long-term disability benefits, each Option and SAR shall become vested with respect to the next tranche of shares of Stock scheduled to vest (including short-term disability period) and the vested portion of the Options and SARs shall remain exercisable for 2 years thereafter; provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may, in its sole discretion, accelerate the exercisability of any Option and/or SAR, which acceleration shall not affect the terms and conditions of such Option and/or SAR other than with respect to exercisability; and provided, further, that in no event shall any Option or SAR remain outstanding past its originally scheduled expiration date (and such originally scheduled expiration date shall not exceed ten years from the Date of Grant).

4.3 Payment of Option Exercise Price.

The payment of the Exercise Price of an Option granted under this Section 4 shall be subject to the following:

(a) Subject to the following provisions of this subsection 4.3, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 4.3(c), payment may be made as soon as practicable after the exercise).

(b) Subject to applicable law, the Exercise Price shall be payable in cash, check, cash equivalent or by tendering, by either actual delivery of shares or by attestation, shares of Stock acceptable to the Committee, and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.

(c) Subject to applicable law, the Committee may permit a Participant to elect to pay the Exercise Price upon (i) the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise, (ii) upon a "net exercise" procedure approved by the Committee or (iii) such other method which is approved by the Committee. Notwithstanding the foregoing, if on the last day of the Option Period, the Fair Market Value exceeds the Exercise Price, the Participant has not exercised the Option, and the Option has not expired, such Option shall be deemed to have been exercised by the Participant on such last day by means of a net exercise and the Company shall deliver to the Participant the number of shares of Stock for which the Option was deemed exercised less such number of shares of Stock required to be withheld to cover the payment of the Exercise Price and all applicable required withholding taxes.

4.4 No Repricing.

Except for either adjustments pursuant to paragraph 8.3 (relating to changes in capital structure), or reductions of the Exercise Price approved by the Company's stockholders, the Exercise Price for any outstanding Option may not be decreased after the Date of Grant nor may an outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a replacement Option with a lower exercise price.

4.5 Compliance With Laws, etc.

Notwithstanding the foregoing, in no event shall a Participant be permitted to exercise an Option in a manner which the Committee determines would violate the Sarbanes-Oxley Act of 2002, or any other applicable law or the applicable rules and regulations of the Securities and Exchange Commission or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or traded.

4.6 Grants of Options and SARs.

An Option may but need not be in tandem with a SAR, and a SAR may but need not be in tandem with an Option (in either case, regardless of whether the original award was granted under this Plan or another plan or arrangement). If an Option is in tandem with a SAR, the Exercise Price of both the Option and SAR shall be the same, and the exercise of the Option or SAR with respect to a share of Stock shall cancel the corresponding tandem SAR or Option right with respect to such share.

SECTION 5
FULL VALUE AWARDS

5.1 Definition.

A "Full Value Award" is a grant (other than an Option or a SAR) of one or more shares of Stock or a right to receive one or more shares of Stock in the future (including, without limitation, unrestricted Stock, restricted Stock or restricted stock units, performance Stock or performance stock units, and deferred stock or deferred stock units), with such grant subject to the provisions of Section 7.2 and to one or more of the following, as determined by the Committee:

(a) The grant shall be in consideration of a Participant's previously performed services, or surrender of other compensation that may be due.

(b) The grant shall be contingent on the achievement of performance or other objectives during a specified period.

(c) The grant shall be subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, or a combination of any of the foregoing.

The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee. Each Full Value Award shall be evidenced by an Award Agreement. Unless otherwise provided by the Committee in an Award Agreement:

(i) all vested and unvested Full Value Awards shall terminate upon termination of employment or service for Cause or upon the Participant's resignation; (ii) upon retirement (in accordance with applicable policy), Full Value Awards shall vest based on prorated time elapsed (no further vesting after subsequent death); (iii) upon involuntary termination of employment or service with retirement eligibility at termination or immediately following any applicable severance period, Full Value Awards shall vest based on prorated time elapsed, including any applicable severance period (no further vesting after subsequent death); (iv) upon involuntary termination of employment or service prior to retirement eligibility, Full Value Awards shall vest based on prorated time elapsed, including any applicable severance period (no further vesting after subsequent death); (v) upon death while employed, Full Value Awards shall become vested with respect to the next tranche of shares of Stock scheduled to vest; and (vi) Full Value Awards continue vesting on their regular schedule during short-term disability period (but cease vesting upon becoming eligible to receive long-term disability benefits and shall become vested with respect to the next tranche of shares of Stock scheduled to vest, including any short term disability period).

SECTION 6
CASH INCENTIVE AWARDS

A Cash Incentive Award is the grant of a right to receive a payment of cash (or in the discretion of the Committee, Stock having value equivalent to the cash otherwise payable) that is contingent on achievement of performance objectives over a specified period established by the Committee. The grant of Cash Incentive Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee. Each Cash Incentive Award shall be evidenced by an Award Agreement.

SECTION 7
RESTRICTIONS ON AWARDS

7.1 Performance-Based Compensation.

The Committee may designate an Award granted to any Participant as Performance-Based Compensation intended to qualify as "performance–based compensation" under Section 162(m) of the Code. Notwithstanding anything in the Plan to the contrary, if the Company determines that a Participant who has been granted an Award designated as Performance-Based Compensation is not (or is no longer) a "covered employee" (within the meaning of Section 162(m) of the Code), the terms and conditions of such Award may be modified without regard to any restrictions or limitations set forth in this Section 7.1 (but subject otherwise to the provisions of Section 9). To the extent required by Code section 162(m), any Full Value Award designated as Performance-Based Compensation shall be conditioned on the achievement of one or more performance objectives, based on the Performance Measures selected by the Committee, and the following provisions of this Section 7.1 shall apply:

(a) Discretion of Committee with Respect to Performance-Based Compensation.

With regard to a particular Performance Period, the Committee shall have sole discretion to select the length of such Performance Period, the type(s) of Performance-Based Compensation to be issued, the Performance Measure that will be used to establish the Performance Goal(s), the kind(s) and/or level(s) of the Performance Goals(s) that is (are) to apply and the Performance Formula. Within the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance-Based Compensation to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing.

(b) Performance Measures.

The "Performance Measures" shall be based on any one or more of the following Company, Subsidiary, operating unit or division performance measures: (i) net earnings or net income (before or after taxes); (ii) basic or diluted earnings per share (before or after taxes); (iii) net revenue or net revenue growth; (iv) gross revenue or gross revenue growth, gross profit or gross profit growth; (v) net operating profit (before or after taxes); (vi) return measures (including, but not limited to, return on investment, assets, capital, employed capital, invested capital, equity, or sales); (vii) cash flow measures (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital), which may but are not required to be measured on a per share basis; (viii) earnings before or after taxes, interest, depreciation and/or amortization (including EBIT and EBITDA); (ix) gross or net operating margins; (x) productivity ratios; (xi) share price (including, but not limited to, growth measures and total stockholder return); (xii) expense targets or cost reduction goals, general and administrative expense savings; (xiii) operating efficiency; (xiv) objective measures of customer satisfaction; (xv) working capital targets; (xvi) measures of economic value added or other value creation' metrics; (xvii) inventory control; (xviii) enterprise value; (xix) sales; (xx) stockholder return; (xxi) client retention; (xxii) competitive market metrics; (xxiii) employee retention; (xxiv) timely completion of new product rollouts; (xxv) timely launch of new facilities; (xxvi) objective measures of personal targets, goals or completion of projects (including but not limited to succession and hiring projects, completion of specific acquisitions, reorganizations or other corporate transactions or capital-raising transactions, expansions of specific business operations and meeting divisional or project budgets); (xxvii) system-wide revenues; (xxviii) market share; (xxix) cost of capital, debt leverage year-end cash position or book value; (xxx) strategic objectives, development of new product lines and related revenue; (xxxi) sales and margin targets or international operations; (xxxii) safety performance; (xxxiii) environmental performance; or (xxxiv) any combination of the foregoing. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, stockholders equity and/or shares outstanding, investments or to assets or net assets. The Committee also has the authority to provide for accelerated vesting of any Award based on the achievement of Performance Goals pursuant to the Performance Measure specified in this paragraph. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the Performance Measure it selects to use for such Performance Period.

(c) Modification of Performance Goal(s).

In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measure without obtaining shareholder approval of such alterations, the Committee shall have sole discretion to make such alterations without obtaining shareholder approval. The Committee is authorized at any time during the first 90 days of a Performance Period (or, if longer or shorter, within the maximum period allowed under Section 162(m) of the Code), or at any time thereafter to the extent the exercise of such authority at such time would not cause the Performance-Based Compensation granted to any Participant for such Performance Period to fail to qualify as "performance-based compensation" under Section 162(m) of the Code, in its sole discretion, to adjust or modify the calculation of a Performance Goal for such Performance Period, based on and in order to appropriately reflect the following events: (a) asset write-downs; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles, or other laws or regulatory rules affecting reported results; (d) any reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Standards Codification Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year; (f) material acquisitions or divestitures; (g) any other specific unusual or nonrecurring events, or objectively determinable category thereof; (h) foreign exchange gains and losses; and (i) a change in the Company's fiscal year.

(d) Payment of Performance-Based Compensation.

Unless otherwise provided in the applicable Award Agreement, and except as otherwise provided in the Plan relating to vesting upon certain terminations of employment or service, a Participant must be employed by the Company on the last day of a Performance Period to be eligible for payment in respect of a Performance-Based Compensation for such Performance Period. A Participant shall be eligible to receive payment in respect of Performance-Based Compensation only to the extent that: (A) the Performance Goals for such period are achieved; and (B) all or some of the portion of such Participant's Performance-Based Compensation has been earned for the Performance Period based on the application of the Performance Formula to such achieved Performance Goals.

(e) Certification.

Following the completion of a Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, calculate and certify in writing that amount of the Performance-Based Compensation earned for the period based upon the Performance Formula. The Committee shall then determine the amount of each Participant's Performance-Based Compensation Award actually payable for the Performance Period and, in so doing, may apply Negative Discretion.

(f) Use of Negative Discretion.

In determining the actual amount of an individual Participant's Performance-Based Compensation Award for a Performance Period, the Committee may reduce or eliminate the amount of the Performance Compensation Award earned under the Performance Formula in the Performance Period through the use of Negative Discretion. Unless otherwise provided in the applicable Award Agreement, the Committee shall not have the discretion to (A) grant or provide payment in respect of Performance-Based Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained; or (B) increase a Performance Compensation-Based Award above the applicable limitations set forth in Section 8.2 of the Plan.

(g) Timing of Award Payments.

Unless otherwise provided in an Award Agreement, Performance-Based Compensation granted for a Performance Period shall be paid to Participants as soon as administratively practicable following completion of the certifications required by Section 7.1(e). Any Performance-Based Compensation that has been deferred shall not (between the date as of which the Award is deferred and the payment date) increase (i) with respect to Performance-Based Compensation that is payable in cash, by a measuring factor for each fiscal year greater than a reasonable rate of interest set by the Committee or (ii) with respect to Performance-Based Compensation that is payable in shares of Stock, by an amount greater than the appreciation of a share of Stock from the date such Award is deferred to the payment date.

7.2 Four-Year Minimum Vesting.

If the right to become vested in an Award is conditioned on the completion of a specified period of service with the Company or the Subsidiaries, without achievement of Performance Measures or other performance objectives (whether or not related to Performance Measures) being required as a condition of vesting, and without it being granted in lieu of other compensation, then the required period of service for full vesting shall be not less than four years, or ratably (whether monthly, quarterly, annual or otherwise) over not less than a four-year period, and if the right to become vested in an Award is conditioned on the achievement of Performance Measures or other performance objectives (whether or not related to Performance Measures, and without it being granted in lieu of other compensation), then the required period of service for full vesting shall be not less than one year (in either case, subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, retirement, or involuntary termination of employment or service) (as applicable, the "Minimum Vesting Schedule"); provided, however, that the foregoing limitation of this subsection 7.2 does not apply to an Award that is granted with respect to 2010 performance, or as an inducement to a person being hired or rehired by the Company or any of its Subsidiaries; provided, further, that the Committee in its discretion may modify or accelerate the vesting schedule of an Award, or remove, waive or modify any applicable performance objectives (subject to Section 7.1 in the case of an Award intended to qualify as Performance-Based Compensation), so long as in no event shall the revised vesting schedule be no more rapid than the Minimum Vesting Schedule; and, provided, still further, that the Minimum Vesting Schedule need not be applied to such grants that, when taken together with other Awards not subject to the Minimum Vesting Schedule (other than Options and SARs), comprise Awards with respect to a number of shares of Stock that does not exceed, in the aggregate, five percent (5%) of the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan as set forth in Section 8.2(a) (as adjusted pursuant to Sections 8.2 and 8.3).

SECTION 8
OPERATION AND ADMINISTRATION

8.1 Effective Date.

The Plan shall be effective as of the Effective Date. In the event of Plan termination, the terms of the Plan shall remain in effect as long as any Awards under it are outstanding; provided, however, that no Awards may be granted under the Plan after the ten-year anniversary of the Effective Date.

8.2 Shares and Other Amounts Subject to Plan.

The shares of Stock for which Awards may be granted under the Plan shall be subject to the following:

(a) The shares of Stock with respect to which Awards may be made under the Plan shall be shares currently authorized but unissued or, to the extent permitted by applicable law, currently held or acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions or a combination of the foregoing.

(b) Subject to the following provisions of this Section 8.2 and Section 8.3, the maximum number of shares of Stock that may be delivered to Participants and their beneficiaries under the Plan shall be 9,020,960 shares.

(c) Any shares of Stock (i) tendered by a Participant or withheld by the Company in connection with the payment of the Exercise Price or (ii) tendered by a Participant or withheld by the Company to satisfy any tax withholding obligation in connection with an Award or (iii) subject to a SAR that are not issued in connection with the stock settlement of the SAR on exercise thereof, in each case shall not be counted toward the number of shares listed in Section 8.2(b).

(d) To the extent provided by the Committee, any Award may be settled in cash rather than Stock, although if an Award provides for possible settlement in Stock, all shares of Stock covered by the Award for which settlement is actually made in cash shall be counted toward the number of shares listed in Section 8.2(b).

(e) Any shares of Stock covered by an Award that are not delivered to a Participant or beneficiary because the Award is forfeited or canceled shall not be counted toward the number of shares listed in Section 8.2(b).

(f) Any shares of Stock issued in connection with the substitution for, or assumption of, awards previously granted by an entity that is acquired by the Company or any Affiliate or Subsidiary through a merger, acquisition or business combination (collectively, "Substitute Awards") shall not be counted toward the number of shares listed in Section 8.2(b).

(g) Subject to Section 8.3, the following additional maximums are imposed under the Plan.

(i) The maximum number of shares of Stock that may be delivered to Participants and their beneficiaries with respect to ISOs granted under the Plan shall be 9,020,960 shares, provided, that the Substitute Awards intended to qualify as ISOs, if any shall be counted toward the number of shares listed in this paragraph (i).

(ii) The maximum number of shares that may be covered by Awards granted to any one Participant during any one calendar-year period pursuant to Section 4 (relating to Options and SARs) shall be 300,000 shares. For purposes of this paragraph (ii), if an Option is in tandem with a SAR, such that the exercise of the Option or SAR with respect to a share of Stock cancels the tandem SAR or Option right, respectively, with respect to such share, the tandem Option and SAR rights with respect to each share of Stock shall be counted as covering only one share of Stock for purposes of applying the limitations of this paragraph (ii).

(iii) The maximum number of shares of Stock that may be issued in conjunction with Awards granted to any one Participant during any one-calendar-year period pursuant to Section 5 (relating to Full Value Awards) and Section 6 (relating to Cash Incentive Awards, but only to the extent they are settled in Stock) shall be 200,000 shares. The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 5 (relating to Full Value Awards) and Section 6 (relating to Cash Incentive Awards, but only to the extent they are settled in Stock) over the life of the Plan shall be 3,000,000 shares.

(iv) For Full Value Awards that are intended to be Performance-Based Compensation, no more than 200,000 shares of Stock may be delivered pursuant to such Awards granted to any one Participant during any one-calendar-year period (regardless of whether settlement of the Award is to occur prior to, at the time of, or after the time of vesting); provided further that:

(A) If the Awards are denominated in Stock but an equivalent amount of cash is delivered in lieu of delivery of shares of Stock, the foregoing limit shall be applied based on the methodology used by the Committee to convert the number of shares of Stock into cash.

(B) If delivery of Stock or cash is deferred until after shares of Stock have been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the shares are earned shall be disregarded.

(v) The aggregate number of the Company's Stock (i) issued to insiders of the Company, within any one year period, and (ii) issuable to insiders of the Company, at any time, under the Plan, or when combined with all of the Company's other security-based compensation arrangements, shall not exceed 10% of the Company's total issued and outstanding Stock, respectively.

(vi) For Cash Incentive Awards that are intended to be Performance-Based Compensation, the maximum amount payable to any Participant with respect to any Performance Period shall equal $200,000 multiplied by the number of calendar months included in that Performance Period; provided further that:

(A) If the Awards are denominated in cash but an equivalent amount of Stock is delivered in lieu of delivery of cash, the foregoing limit shall be applied to the cash based on the methodology used by the Committee to convert the cash into shares of Stock.

(B) If delivery of Stock or cash is deferred until after cash has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the cash is earned shall be disregarded.

(vii) The maximum aggregate number of the shares of Stock that may be delivered with respect to Emergence Date Grants shall be 4,245,158 shares, provided, that all shares of Stock covered by an Emergence Date Grant for which settlement is actually made in cash shall be counted toward the number of shares listed in this Section 8.2(g)(vii) and, for purposes of clarity, counted toward the number of shares listed in Section 8.2(b).

8.3 Changes in Capital Structure and Similar Events.

In the event of (x) a corporate transaction involving the Company (including, without limitation, any dividend (other than regular cash dividends or other distribution (whether in the form of cash, shares of Stock, other securities or other property), stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, sale of assets or subsidiaries, combination or exchange of shares, issuance of warrants or other rights to acquire Stock or other securities of the Company), (y) other similar corporate transaction or event that affects the shares of Stock, or (z) unusual or nonrecurring events affecting the Company, any Affiliate or Subsidiary, or the financial statements of the Company, any Affiliate or Subsidiary, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, then the Committee shall make an equitable or proportionate adjustment to prevent undue dilution or enlargement of the intended benefits or potential benefits of the Award consistent with the purposes of the Plan, including without limitation any or all of the following: (i) adjustment of the number and kind of shares or other securities which may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the Exercise Price of outstanding Options and SARs; (iv) adjustment of any applicable performance measures (including without limitation, Performance Measures and Performance Goals and (v) any other adjustments that the Committee determines to be equitable (which may include, without limitation, (I) replacement of Awards with other Awards which the Committee determines have comparable value and which are based on stock of a company resulting from the transaction, (II) providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event (any such Award not so exercised shall terminate upon the occurrence of such event); and (III) cancelling any one or more outstanding Awards and causing to be paid to the holders thereof, in cash, shares of Stock, other securities or other property, or any combination thereof, the value of such Awards, if any, as determined by the Committee (which if applicable may be based upon the price per share of Stock received or to be received by other shareholders of the Company in such event), including without limitation, in the case of an outstanding Option or SAR, a cash payment in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the shares of Stock subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR, respectively (it being understood that, in such event, any Option or SAR having a per share Exercise Price equal to, or in excess of, the Fair Market Value of a share of Stock subject thereto may be canceled and terminated without any payment or consideration therefor). Any adjustment in ISOs under this Section 8.3 (other than any cancellation of ISOs) shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 8.3 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Act. The Company shall give each Participant notice of any adjustment hereunder. Any such adjustment shall be conclusive and binding for all purposes.

8.4 General Restrictions.

Delivery of shares of Stock or other amounts under the Plan shall be subject to the following: The obligation of the Company to settle Awards in Stock or other consideration shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any shares of Stock pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the shares of Stock to be offered or sold under the Plan. The Committee shall have the authority to provide that all certificates for shares of Stock or other securities of the Company or any Affiliate or Subsidiary delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement, the Federal securities laws, or the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or inter-dealer quotation system upon which such shares or other securities are then listed or quoted and any other applicable Federal, state, local or non-U.S. laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange. Notwithstanding any provision in the Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under the Plan that it in its sole discretion deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

8.5 Tax Withholding.

All distributions under the Plan are subject to withholding of all applicable federal, state, local and foreign taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. If permitted by the Committee (in its sole discretion), such withholding obligations may be satisfied (i) through cash payment by the Participant; (ii) through the surrender of shares of Stock which the Participant already owns; (iii) through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan, provided, however, that such shares under the preceding clause (ii) or this clause (iii) may be used to satisfy not more than the Company's minimum statutory withholding obligation (based on minimum statutory withholding rates for Federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income) or (iv) by such other method as specified by the Committee.

8.6 Grant and Use of Awards.

The grant and use of Awards under the Plan shall be subject to the following:

(a) In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Subject to subsection 4.4 (relating to repricing), Awards may be granted as alternatives to or replacement of awards granted or outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary).

(b) Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan in Section 8.2(b), the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including any Substitute Awards.

(c) Notwithstanding the provisions of subsection 4.2, Options and SARs granted under the Plan in replacement for awards under plans and arrangements of a company assumed in business combinations may provide for exercise prices that are less than the Fair Market Value of the Stock at the time of the replacement grants, if the Committee determines that such exercise price is appropriate to preserve the economic benefit of the award.

8.7 Dividends and Dividend Equivalents.

An Award (including without limitation an Option or SAR) may provide the Participant with the right to receive dividend or dividend equivalent payments with respect to shares of Stock subject to the Award (both before and after the shares of Stock subject to the Award is earned, vested, or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or shares of Stock, as determined by the Committee; provided that no dividend equivalents shall be payable in respect of outstanding (i) Options or SARs or (ii) unearned Performance-Based

Compensation Awards or other unearned Awards subject to performance conditions (other than or in addition to the passage of time) (although dividend equivalents may be accumulated in respect of unearned Awards and paid within 15 days after such Awards are earned and become payable or distributable). Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

8.8 Settlement of Awards.

The obligation to make payments and distributions with respect to Awards may be satisfied through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Satisfaction of any such obligations under an Award, which is sometimes referred to as "settlement" of the Award, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment or distribution, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or dividend equivalents, and may include converting such credits into deferred Stock equivalents. Each Subsidiary shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Subsidiary by the Participant. Any disputes relating to liability of a Subsidiary for cash payments shall be resolved by the Committee.

8.9 Transferability.

(a) Each Award shall be exercisable only by a Participant during the Participant's lifetime, or, if permissible under applicable law, by the Participant's legal guardian or representative. Except as otherwise provided by the Committee, no Award under the Plan may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company, an Affiliate or a Subsidiary; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(b) Notwithstanding the foregoing, the Committee may, in its sole discretion, permit Awards (other than ISOs) to be transferred by a Participant, without consideration, subject to such rules as the Committee may adopt consistent with any applicable Award Agreement to preserve the purposes of the Plan, to: (A) any person who is a "family member" of the Participant, as such term is used in the instructions to Form S-8 under the Securities Act or any successor form (collectively, the "Immediate Family Members"); (B) a trust solely for the benefit of the Participant and his or her Immediate Family Members; (C) a partnership or limited liability company whose only partners or shareholders are the Participant and his or her Immediate Family Members; or (D) any other transferee as may be approved either (I) by the Board or the Committee in its sole discretion, or (II) as provided in the applicable Award Agreement; (each transferee described in clauses (A), (B), (C) and (D) above is hereinafter referred to as a "Permitted Transferee"); provided that the Participant gives the Committee advance written notice describing the terms and conditions of the proposed transfer and the Committee notifies the Participant in writing that such a transfer would comply with the requirements of the Plan. and provided further that any Permitted Transferee may be required by the Committee to execute an agreement satisfactory to the Company evidencing its agreement to be bound by and subject to all of the terms and conditions of the Plan and any applicable Award Agreement relating to the transferred Award.

(c) The terms of any Award transferred in accordance with the immediately preceding sentence shall apply to the Permitted Transferee and any reference in the Plan, or in any applicable Award Agreement, to a Participant shall be deemed to refer to the Permitted Transferee, except that (i) Permitted Transferees shall not be entitled to transfer any Award, other than by will or the laws of descent and distribution; (ii) Permitted Transferees shall not be entitled to exercise any transferred Option unless there shall be in effect a registration statement on an appropriate form covering the shares of Stock to be acquired pursuant to the exercise of such Option if the Committee determines, consistent with any applicable Award Agreement, that such a registration statement is necessary or appropriate; (iii) the Committee or the Company shall not be required to provide any notice to a Permitted Transferee, whether or not such notice is or would otherwise have been required to be given to the Participant under the Plan or otherwise; and (iv) the consequences of the termination of the Participant's employment by, or services to, the Company, an Affiliate or a Subsidiary under the terms of the Plan and the applicable Award Agreement shall continue to be applied with respect to the Participant, including, without limitation, that an Option shall be exercisable by the Permitted Transferee only to the extent, and for the periods, specified in the Plan and the applicable Award Agreement.

8.10 Form and Time of Elections.

Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in a writing (which may be electronic) filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

8.11 Agreement With Company.

An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written (including electronic) document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not require that the Participant sign a copy of such document. Such document is referred to in the Plan as an "Award Agreement" regardless of whether any Participant signature is required.

8.12 Action by Company or Subsidiary.

Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of such company.

8.13 Gender and Number.

Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

8.14 Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any

Subsidiary whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Subsidiary, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the shares of Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating employee the right to be retained in the employ of the Company or any Subsidiary, or the right to continue to provide services to the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

(c) There is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

8.15 Evidence.

Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

8.16 No Section 83(b) Elections Without Consent of Company.

No election under Section 83(b) of the Code or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If a Participant, in connection with the acquisition of shares of Stock under the Plan or otherwise, is expressly permitted to make such election and the Participant makes the election, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to Section 83(b) of the Code or other applicable provision.

8.17 Payments to Persons Other Than Participants.

If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

8.18 Nonexclusivity of the Plan.

The adoption of this Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

8.19 No Trust or Fund Created.

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company, or any Affiliate or Subsidiary, on the one hand, and a Participant or other person or entity, on the other hand. No provision of the Plan or any Award shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company.

8.20 Reliance on Reports.

Each member of the Committee and each member of the Board shall be fully justified in acting or failing to act, as the case may be, and shall not be liable for having so acted or failed to act in good faith, in reliance upon any report made by the independent public accountant of the Company and its Affiliates and Subsidiaries and/or any other information furnished in connection with the Plan by any agent of the Company or the Committee or the Board, other than himself.

8.21 Relationship to Other Benefits.

No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

8.22 Governing Law.

The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and performed wholly within the State of Delaware, without giving effect to the conflict of laws provisions thereof.

8.23 Severability.

If any provision of the Plan or any Award or Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or entity or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, person or entity or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

8.24 Obligations Binding on Successors.

The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

8.25 Designation and Change of Beneficiary.

Each Participant may file with the Committee a written designation of one or more persons as the beneficiary(ies) who shall be entitled to receive the amounts payable with respect to an Award, if any, due under the Plan upon his death. A Participant may, from time to time, revoke or change his beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by a Participant, the beneficiary shall be deemed to be his or her spouse or, if the Participant is unmarried at the time of death, his or her estate.

8.26 Clawback/Forfeiture of Awards.

Notwithstanding anything to the contrary contained herein, an Award Agreement may provide that the Committee may in its sole discretion cancel such Award if the Participant, without the consent of the Company, while employed by or providing services to the Company or any Affiliate or Subsidiary, or after termination of such employment or service, violates a non-competition, non-solicitation or non-disclosure covenant or agreement or otherwise has engaged in or engages in Detrimental Activity that is in conflict with or adverse to the interest of the Company, any Affiliate or Subsidiary, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. The Committee may also provide in an Award Agreement that if the Participant otherwise has engaged in or engages in any activity referred to in the preceding sentence, the Participant will forfeit any gain realized on the vesting or exercise of such Award, and must repay the gain to the Company. The Committee may also provide in an Award Agreement that if the Participant receives any amount in excess of what the Participant should have received under the terms of the Award for any reason (including without limitation by reason of a financial restatement, mistake in calculations or other administrative error), then the Participant shall be required to repay any such excess amount to the Company.

8.27 Code Section 162(m) Re-approval.

If so determined by the Committee, the provisions of the Plan regarding Performance-Based Compensation Awards shall be submitted for re-approval by the shareholders of the Company no later than the first shareholder meeting that occurs in the fifth year following the year that shareholders previously approved such provisions, for purposes of exempting certain Awards granted after such time from the deduction limitations of Section 162(m) of the Code. Nothing in this subsection, however, shall affect the validity of Awards granted after such time if such shareholder approval has not been obtained.

8.28 Code Section 409A.

It is intended that the provisions of this Plan comply with Section 409A of the Code, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to or for the benefit of a Participant subject to U.S. tax (a "U.S. Participant") may not be reduced by, or offset against, any amount owing by the Participant to the Corporation or any of its Affiliates or Subsidiaries. Notwithstanding anything in this Plan to the contrary, if a U.S. Participant becomes entitled to receive payment in respect of any Award as a result of his or her "separation from service" (within the meaning of Section 409A of the Code), and the U.S Participant is a "specified employee" (within the meaning of Section 409A of the Code) at the time of his or her separation from service, and the Committee makes a good faith determination that (i) all or a portion of the Award constitutes "deferred compensation" (within the meaning of Section 409A of the Code) and (ii) any such deferred compensation that would otherwise be payable during the six-month period following such separation from service is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then payment of such "deferred compensation" shall not be made to the U.S Participant before the date which is six months after the date of his or her separation from service (and shall be paid (without interest, dividends, dividend equivalents or any compensation for any loss in market value or otherwise which occurs during such period) in a single lump sum on the first day of the seventh month following the date of such separation from service) or, if earlier, the U.S Participant's date of death. (For illustrative purposes only, if a U.S Participant who is a specified employee subject to the provisions of the previous sentence incurs a separation from service on

January 16 of a calendar year, any payments of deferred compensation that would be payable to such U.S Participant during the six-month period from such January 16 through July 16 shall be accumulated and paid in a single lump sum to such U.S Participant on July 17 of such calendar year, or, if earlier, such U.S Participant's date of death.) Unless otherwise provided by the Committee, in the event that the timing of payments in respect of any Award (that would otherwise be considered "deferred compensation" subject to Section 409A of the Code) would be accelerated upon the occurrence of a Disability, no such acceleration shall be permitted unless the Disability also satisfies the definition of "Disability" pursuant to Section 409A of the Code. Each U.S Participant, any beneficiary or the U.S Participant's estate, as the case may be, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such U.S Participant in connection with this Plan (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any Affiliate or Subsidiary shall have any obligation to indemnify or otherwise hold such U.S Participant or beneficiary or the U.S Participant's estate harmless from any or all of such taxes or penalties. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any amounts payable hereunder will be taxable to a Participant under Section 409A of the Code prior to payment to such Participant of such amount, the Company may (i) adopt such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (ii) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A of the Code.

SECTION 9
AMENDMENT AND TERMINATION

The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend any Award Agreement, provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board (or the Committee, if applicable); and further provided that adjustments pursuant to Section 8.3 shall not be subject to the foregoing limitations of this Section 9; and further provided that the provisions of subsection 4.4 (relating to repricing) cannot be amended unless the amendment is approved by the Company's stockholders. Approval by the Company's stockholders will be required for any material revision to the terms of the Plan, with the determination of "material revision" to be made in accordance with the definition provided under the rules of the New York Stock Exchange. Unless otherwise determined by the Board, no amendment requiring stockholder approval under Treasury Regulation Section 1.162-27 or Section 422 of the Code shall be valid unless such stockholder approval is secured as provided therein.

* * * * * * * * * * *

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by a duly authorized officer this 1st day of September, 2012.

RESOLUTE FOREST PRODUCTS INC.

By: /s/ Richard Garneau

Richard Garneau

President and Chief Executive Officer

RESOLUTE FOREST PRODUCTS
OUTSIDE DIRECTOR DEFERRED COMPENSATION PLAN

Effective as of April 1, 2011

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Resolute Forest Products Outside Director Deferred Compensation Plan

1. Purpose.

Resolute Forest Products Inc. (formerly named AbitibiBowater Inc.) established the AbitibiBowater Outside Director Deferred Compensation Plan effective as of April 1, 2011 (the "Effective Date") to enhance the Company's ability to attract and retain talented individuals to serve as members of the Board and to promote a greater alignment of interests between non-employee members of the Board and the shareholders of the Company. The Plan is renamed the Resolute Forest Products Outside Director Deferred Compensation Plan, effective as of September 1, 2012, and the Plan is restated accordingly. All non-employee directors serving on the Board on the Effective Date are eligible to participate in the Plan and enjoy the benefits of the Plan as set forth below. Non-employee directors elected or appointed to the Board after the Effective Date are eligible to participate in the Plan on the date of election or appointment.

2. Definitions.

The following words and phrases, when used in this Plan with an initial capital letter, unless the context clearly indicates otherwise, shall have the following meanings, or the meanings as set forth elsewhere in this Plan. Wherever applicable, the masculine pronoun shall include the feminine pronoun and the singular shall include the plural.

(a) "Account" means a bookkeeping account established for the benefit of a Director used to record (i) amounts deferred pursuant to Section 5 and (ii) any credits on and adjustments of such amounts pursuant to Section 6. A Director's Account may include sub-accounts consisting of a Deferred Stock Unit Account and a Restricted Stock Unit Account, or such other sub-accounts as determined by the Administrator.

(b) "Administrator" means the Senior Vice President, Human Resources and Public Affairs, of the Company.

(c) "Affiliate" has the meaning ascribed to it in Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

(d) "Beneficiary" means the person or persons (including, without limitation, any trustee) last designated by a Director in accordance with Section 9 to receive the balance of his Account in the event of the Director's death. If there is no effective designated Beneficiary on file or surviving Beneficiary, the Director's estate shall be the Director's Beneficiary.

(e) "Board" means the Board of Directors of the Company.

(f) "Canadian Director" means a Director who is subject to taxation under the Income Tax Act (Canada) (the "Canadian Tax Act").

(g) "Cause" means (i) the Director's commission of a felony or a crime involving moral turpitude, or other material act or omission involving dishonesty or fraud, (ii) the Director's engaging in conduct that would bring or is reasonably likely to bring the Company or any of its Affiliates or Subsidiaries into public disgrace or disrepute or that would affect the Company's or any Affiliate's or Subsidiary's business in any material way, (iii) the Director's failure to perform duties as reasonably directed by the Board (which, if reasonably curable, is not cured within 10 days after notice thereof is provided to the Director) or (iv) the Director's gross negligence, willful malfeasance or material act of disloyalty or other breach of fiduciary duty with respect to the Company or its Affiliates or Subsidiaries (which, if reasonably curable, is not cured within 10 days after notice thereof is provided to the Director). Any determination of whether Cause exists shall be made by the Committee in its sole discretion.

(h) "Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time. A reference to any provision of the Code shall be deemed to include any regulations or other interpretative guidance under such section, and any amendments or successor provisions to such section, regulation or guidance.

(i) "Committee" means the Human Resources and Compensation/Nominating and Governance Committee of the Board or such members of the Board as are selected by the Board from time to time to administer the Plan.

(j) "Company" means Resolute Forest Products Inc.

(k) "Conversion Date" means, unless otherwise determined by the Committee, the last business day of the calendar quarter.

(l) "Deferred Stock Unit" or "DSU" means a Stock Unit which, when vested, shall be settled pursuant to Section 8(a)(i).

(m) "Deferred Stock Unit Account" or "DSU Account" means the sub-account used to record (i) deferrals of cash compensation designated as DSUs and (ii) any credits on and adjustments of such amounts pursuant to Section 6.

(n) "Director" means any individual qualified to serve as a member of the Board who is elected or appointed and who is not an employee or a full-time officer of the Company or any Affiliate.

(o) "Effective Date" means April 1, 2011, the date the Company established the Plan.

(p) "Fair Market Value" means, on a given date, (i) if the Stock is listed on a national securities exchange, the simple arithmetic mean between the highest and lowest prices per share at which the Stock is traded as reported for the national securities exchange for the trading day immediately preceding that date, or if not so traded, the simple arithmetic mean between the closing bid-and-asked prices thereof as reported for such national securities exchange for the trading day immediately preceding that date, rounded to the nearest number within two decimal places; (ii) if the Stock is not listed on any national securities exchange but is quoted in an inter-dealer quotation system on a last sale basis, the simple arithmetic mean between the closing bid-and-asked prices thereof as reported for such quotation system for the applicable date of determination, rounded to the nearest number within two decimal places; or (iii) if the Stock is not listed on a national securities exchange or quoted in an inter-dealer quotation system on a last sale basis, the amount determined by the Committee in good faith to be the fair market value of the Stock.

(q) "Plan" means the Resolute Forest Products Outside Director Deferred Compensation Plan, as provided herein and as may be amended from time to time.

(r) "Premium Stock Units" means the number of Stock Units that represents a number of Stock Units determined by dividing 10% of the compensation deferred on the Conversion Date by the Fair Market Value for a share of Stock on the Conversion Date. Premium Stock Units shall be credited as Premium DSUs with respect to a DSU election and Premium RSUs with respect to an RSU election.

(s) "Restricted Stock Unit" or "RSU" means a Stock Unit which, when vested, shall be settled pursuant to Section 8(a)(ii).

(t) "Restricted Stock Unit Account" or "RSU Account" means the sub-account used to record (i) deferrals of compensation designated as RSUs and (ii) any credits on and adjustments of such amounts pursuant to Section 6.

(u) "Separation from Service" means a separation from service with the Company and other entities affiliated with the Company. For U.S. Directors, such Separation from Service shall be determined and interpreted in accordance with Code Section 409A. For purposes of interpreting Code Section 409A, whether an entity is affiliated with the Company shall be determined pursuant to the controlled group rules of Code Section 414, as modified by Code Section 409A.

(v) "Stock" means the common stock of the Company, par value $.001.

(w) "Stock Unit" means the right to receive payment in cash in an amount equal to the Fair Market Value of one share of Stock, determined as of the Valuation Date with respect to that Stock Unit. Stock Units under the Plan are designated as DSUs for Canadian Directors and RSUs for U.S. Directors. Unless otherwise provided or if the context requires otherwise, the reference to DSUs includes Premium DSUs, and the reference to RSUs includes Premium RSUs.

(x) "Subsidiary" means any corporation, partnership, joint venture or other entity during any period in which at least a fifty percent voting or profits interest is owned, directly or indirectly, by the Company (or by any entity that is a successor to the Company), and any other business venture designated by the Committee in which the Company (or any entity that is a successor to the Company) has a significant interest, as determined in the discretion of the Committee.

(y) "U.S. Director" means a Director who is subject to taxation under the U.S. Internal Revenue Code.

(z) "Valuation Date" means the date on which Stock Units are to be settled in accordance with Section 8(a).

(aa) "Vesting Date" means the date on which all or a portion of a Director's Premium Stock Units become nonforfeitable.

3. Eligibility.

All Directors are eligible to participate in the Plan.

4. Administration.

The Committee shall administer the Plan, provided that the Committee may delegate responsibility for administration to such person or persons as it deems appropriate from time to time. The Committee shall have all the discretion and authority to take any action that it may deem necessary or desirable in connection with the administration of the Plan, including without limitation:

(a) to establish, modify and revoke rules relating to the Plan;

(b) to interpret and construe the terms of the Plan and any rules under the Plan;

(c) to approve the form and content of any documentation relating to deferrals of compensation or benefits under the Plan or Plan administration; and

(d) consistent with the express provisions of the Plan, to approve, establish and amend the terms governing a benefit under the Plan.

All determinations, interpretations and decisions made by the Committee under or with respect to the Plan shall be final, conclusive and binding on the Company, and Directors and any Beneficiary. No member of the Committee shall be liable for any action taken in good faith with respect to the Plan. Notwithstanding the foregoing, the Administrator shall have the authority to approve the form and content of any election or beneficiary forms for the efficient administration of the Plan.

5. Deferral Election.

A Director may elect to defer 50% or 100% of his cash compensation including, without limitation, his annual retainer and/or other fees for service as a Director (for example, for serving as chair), if he completes and timely delivers to the Administrator (or his designee) a written election. To be considered timely, a Director must deliver the written election as follows and as determined by the Administrator:

(a) *Election.*

(i) A Canadian Director's written election must designate the portion of his cash compensation to be deferred under the Plan and credited in DSUs. A deferral by a Canadian director cannot be credited in RSUs.

(ii) A U.S. Director's written election must designate the portion of his cash compensation to be deferred under the Plan and credited in RSUs. A deferral by a U.S. director cannot be credited in DSUs.

(b) *Time for Filing Election.*

To be considered timely, a Director must deliver the written deferral election as follows.

(i) For Directors in office on the Effective Date, the deferral election must be completed and filed with the Administrator before May 1, 2011 and will only be effective to defer cash compensation earned on and after May 1, 2011 under the Plan.

(ii) With respect to any calendar year beginning after the Effective Date, the deferral election must be made before the commencement of that calendar year. Notwithstanding the foregoing, an individual who first becomes elected or appointed as a Director must complete and file an election with the Administrator within 30 days after such individual is first elected or appointed.

An election made in accordance with the foregoing shall be effective for the calendar year for which it was made but shall only be effective with regard to compensation earned on and after January 1 of the year to which the election relates (May 1 in the case of the 2011 calendar year) or after the expiration of the 30-day election period for newly-elected or appointed Directors, as the case may be. Once an election is made, it is irrevocable for the calendar year (or portion thereof for newly-elected or appointed Directors) for which the election relates and **will continue in effect for subsequent calendar years until revoked or changed by the Director**. An election may be revoked or changed only with respect to a calendar year subsequent to the date of the revocation or change. If no election to defer is made or a prior election is revoked, the Director shall be deemed to have elected to be paid compensation for his duties as a Director entirely in cash. A Director's written election shall constitute the Director's acceptance of the benefits and terms of the Plan.

6. Accounts.

(a) *Establishment of Accounts.*

As of May 1, 2011 or, if later, the date a Director elects to defer compensation to the Plan, the Administrator or its delegate shall establish an Account for each Director to reflect the deferrals of amounts made for the Director's benefit, together with any income adjustments thereto. The Accounts shall not be used to segregate assets for payment of any amounts deferred or allocated under the Plan, and shall not constitute or be treated as a trust fund of any kind. The Director shall, at all times, have a nonforfeitable right to all amounts credited to his Account.

(b) *Crediting of Accounts.*

An amount will be credited to a Director's DSU Account or RSU Account, as the case may be, pursuant to the Director's deferral election on each Conversion Date. The amount credited as DSUs or RSUs, as applicable, shall be a number of Stock Units (including fractional Stock Units) determined by dividing (i) 110% of the amount of compensation elected for deferral by (ii) the Fair Market Value of the Stock as of the Conversion Date.

(c) *Earnings and Adjustments*.

(i) Dividend Equivalents.

With respect to dividend record dates occurring during the period in which Stock Units are credited to a Director's Account, the Director's Account will be credited with additional Stock Units (including a fractional Stock Unit), the number of which will be determined by dividing: (A) the product obtained by multiplying the amount of each dividend (including extraordinary dividend if so determined by the Company) declared and paid by the Company on the Stock on a per share basis by the number of Stock Units credited to a Director's Account on the record date for payment of any such dividend, by (B) the Fair Market Value of one share of Stock on the dividend payment date for such dividend. The additional Stock Units shall be payable at the same time and in the same proportion as the Stock Units to which the dividend equivalents relate. Dividend equivalents that relate to Premium Stock Units shall vest at the same time and in the same proportion as the Premium Stock Units to which they relate. No additional Stock Units shall be accrued for the benefit of a Director pursuant to this paragraph with respect to (A) any Stock Units settled pursuant to Section 8 or (B) any Premium Stock Units forfeited pursuant to Section 7(c), as of the dividend record date.

(ii) Adjustments.

In the event of (A) a corporate transaction involving the Company (including, without limitation, any dividend (other than regular cash dividends or other distribution (whether in the form of cash, shares of Stock, other securities or other property), stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, sale of assets or subsidiaries, combination or exchange of shares, issuance of warrants or other rights to acquire Stock or other securities of the Company), (B) other similar corporate transaction or event that affects the shares of Stock, or (C) unusual or nonrecurring events affecting the Company, any Affiliate or Subsidiary, or the financial statements of the Company, any Affiliate or Subsidiary, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, then the Committee shall make an adjustment to the amount payable with respect to the Stock Units that the Committee determines to be equitable to prevent undue dilution or enlargement of the intended benefits or potential benefits of the Stock Units credited to a Director's Account consistent with the purposes of the Plan. The Company shall give each Participant notice of any adjustment. Any such adjustment shall be conclusive and binding for all purposes.

7. Vesting.

(a) A Director shall, at all times, have a nonforfeitable right to non-Premium Stock Units, which are (i) the number of Stock Units determined by dividing 100% of the amount of cash compensation elected for deferral by the Fair Market Value of a share of Stock on the Conversion Date) and (ii) any additional Stock Units credited as dividend equivalents that relate to such non-Premium Stock Units.

(b) Subject to continued service as a Director, one third of the Premium Stock Units shall vest on March 31 of each of the first three calendar years following the calendar year in which the Premium Stock Units were credited on behalf of the Directors.

(c) In the event of a Separation from Service for any reason other than Cause (including termination of service as a Director without Cause or due to disability, or retirement) or death, the Director shall become vested in all non-vested Premium Stock Units. In the event of a Separation from Service due to Cause, the Director shall forfeit any vested, but not settled, and non-vested Premium Stock Units.

8. Distributions.

(a) *Time of Payment*.

All amounts credited to a Director's Account shall be settled in a single lump sum cash payment on the following dates.

(i) DSU Account.

All non-Premium DSUs and vested Premium DSUs credited to a Canadian Director's DSU Account shall be settled upon the earlier of (as applicable):

(A) for a Canadian Director who is not subject to Code Section 409A, December 15 of the calendar year following the calendar year of the Canadian Director's Separation from Service, unless the Canadian Director provides advance written notice of at least five business days to the Administrator specifying an earlier settlement date (but no earlier than the Separation from Service),

(B) for a Canadian Director who is subject to Code Section 409A, as soon as administratively feasible following the Canadian Director's Separation from Service, or

(C) the Director's death.

For Canadian Directors subject to Code Section 409A, payment shall be made no later than the last day of the calendar year in which the payment event occurs, or if later, the 15th day of the third month following such event. The latest payment date set forth in the preceding sentence has been specified for purposes of complying with the provisions of Section 409A of the Code.

(ii) RSU Account.

One third of the non-Premium RSUs and all vested Premium RSUs credited to a U.S. Director's RSU Account shall be settled as soon as administratively feasible after the applicable Vesting Date described in Section 7(b); provided, however, all non-Premium RSUs and vested Premium RSUs shall be settled as soon as administratively feasible after any Vesting Date described in Section 7(c).

For U.S. Directors, payment shall be made no later than the last day of the calendar year in which the payment event occurs, or if later, the 15th day of the third month following such event. The latest payment date set forth in the preceding sentence has been specified for purposes of complying with the provisions of Section 409A of the Code.

(b) *Amount of Payment*.

A Director shall be entitled to receive an amount equal to the Fair Market Value of a share of Stock multiplied by the number of non-Premium Stock Units and vested Premium Stock Units to be settled. Any amount paid to a Director shall be less any required taxes.

9. Designation of Beneficiary.

(a) Each Director other than a Director residing in the Province of Québec shall designate on forms provided by the Administrator, signed by the Director and delivered to the Administrator, the Beneficiary or Beneficiaries to receive the balance credited to the Director's Account in the event of his death. A Director may, from time to time, change the designated Beneficiary or Beneficiaries, without the consent of such Beneficiary or Beneficiaries, by delivering to the Administrator a new written and signed designation of Beneficiary. The Director's spouse, if any, shall not be required to consent in writing to any non-spouse designation. The Director may designate primary or contingent Beneficiaries. The written designation last delivered and signed by the Director shall be effective and supersede all prior designations on file with the Administrator.

(b) Each Director residing in the Province of Québec may only designate a beneficiary by will. Upon the death of a Director residing in the Province of Québec, the Director's Account shall be distributed to the liquidator, administrator or executor of his estate.

10. No Rights as Stockholder.

A Director shall not be a shareholder of record with respect to Stock Units and shall have no voting rights with respect to the Stock Units.

11. Transferability.

Unless otherwise provided by the Committee in writing, the RSUs shall not be transferable by the Director other than by will or the laws of descent and distribution.

12. Covenants of Director.

As a condition of participation in this Plan, each participating Director agrees to devote his best efforts and undivided loyalty to the Company and devote such time to his tasks as a Director as shall be required to discharge his obligations to the best of his abilities.

13. Remedies of the Company.

Upon the occurrence of any one or more of the following circumstances:

(a) if the Director is at any time removed from incumbency as a Director for reasons deriving from his gross negligence or misconduct detrimental to the business interests of the Company, or for criminal conduct of any type (regardless of the effect thereof on the business interest of the Company); or

(b) if the Director at any time materially fails to comply with the requirements of Section 12;

then, and in any such event, the Company's obligation to pay or provide benefits hereunder to such Director shall automatically cease and terminate, and neither the Director nor any other person claiming any benefit pursuant to the Director's participation in this Plan shall have any rights, claims or causes of action hereunder against the Board, the Company or any person acting on their behalf. The Company's sole remedy for breach by the Director of the provisions of Section 12 shall be to cease paying or providing benefits pursuant to the provisions of Section 7 or receive from the Director repayment of any amounts paid. Such remedy shall not preclude the Company from recovering from a Director damages inflicted on the Company or its Affiliates by conduct of a Director which renders the Director liable to the Company independently of the fact that such conduct constitutes a breach of the Director's covenants in Section 12.

14. Notices and Communications.

All notices, statements, reports and other communications from the Administrator to any Director, Beneficiary or other person required or permitted under the Plan shall be deemed to have been duly given when personally delivered to, when transmitted via facsimile or other electronic media or when mailed overnight or by first-class mail, postage prepaid and addressed to, such Director, Beneficiary or other person at his last known address on the Company's records. All elections, designations, requests, notices, instructions and other communications from a Director, Beneficiary or other person to the Administrator required or permitted under the Plan shall be in such form as is prescribed from time to time by the Administrator, and shall be mailed by first-class mail, transmitted via facsimile or other electronic media or delivered to such location as shall be specified by the Administrator. Such communication shall be deemed to have been given and delivered only upon actual receipt by the Administrator at such location.

15. Limitation of Rights of the Director.

Inclusion under the Plan shall not give a Director any right or claim to a benefit, except as specifically defined in this Plan. The establishment of the Plan shall not be construed as giving any Director a right to be continued in service as a Director of the Company.

16. Payments To Incompetents.

In the event that any payment hereunder becomes payable to a person adjudicated to be incompetent, payment thereof to the guardian or legal representative of such person shall constitute full and complete compliance herewith and entitle the Company to discharge with respect thereto.

17. Construction.

(a) The decision of the Committee on all matters concerning the interpretation and administration of this Plan shall be final. Each Director agrees, as a condition to participation herein, to be bound by all actions and interpretations regarding this Plan by the Committee. Neither the Board, the Committee, any individual Director nor any persons acting on their behalf shall be subject to any liability to any Director or other person in the construction and administration of this Plan.

(b) Notwithstanding any other provision of this Plan, it is intended that all Stock Units granted under this Plan which are considered to be deferred compensation subject to Code Section 409A shall be provided and paid in a manner, and at such time, including without limitation payment only in connection with a permissible payment event contained in Code Section 409A (e.g., separation from service from the Company and its affiliates as defined for purposes of Code Section 409A), and in such form, as complies with the applicable requirements of Code Section 409A, to avoid the unfavorable tax consequences provided therein for non-compliance. In addition, it is intended that all Stock Units granted to Canadian Directors under this Plan shall be provided and paid in a manner, and at such time, and in such form, as complies with the applicable requirements of paragraph 6801(d) of the regulations to the Canadian Tax Act, to avoid the unfavorable tax consequences provided therein for non-compliance. Notwithstanding the foregoing, none of the Company or its affiliates or the Committee shall be liable to any person if such person is subject to any additional tax, penalty or interest as a result of failure to comply with Code Section 409A or paragraph 6801(d) of the regulations to the Canadian Tax Act.

18. Amendment or Termination.

The Company reserves the right at any time, and from time to time, by action of a majority of the Board at a meeting at which all members thereof are present and voting or the required notice of which contained an accurate summary of the action proposed for vote, to amend, in whole or in part, any or all of the provisions of this Plan. The Company reserves the right to terminate the Plan at any time. Notwithstanding the foregoing, no such amendment or termination shall adversely affect benefits under this Plan already being paid or having become unconditionally payable pursuant to the terms hereof. Upon termination of the Plan, the Company reserves the discretion to accelerate distribution of Directors' Accounts in accordance with regulations promulgated by the Department of the Treasury under Code Section 409A.

19. Funding.

The Company's obligations under this Plan shall be unfunded and the Company shall not be obligated under any circumstances to fund its obligations under this Plan. Notwithstanding the foregoing, the Company may, but shall have no obligation to, authorize the creation of one or more trusts and deposit therein cash or property, or make other arrangements to meet the payment obligations under the Plan; provided that such trusts or other arrangements, if established, shall be consistent with the unfunded status of the Plan. The rights of a Director to the payment of benefits under the Plan shall be no greater than the rights of an unsecured creditor of the Company, and nothing in the Plan shall be construed to give any Director or any other person rights to any specific assets of the Company, any of its subsidiaries or affiliates, or any other person.

20. Governing Law.

This Plan shall be governed by and interpreted in accordance with the laws of the State of Delaware and, subject to Section 17 above, shall be binding upon the Company and its successors, including any successor which acquires all or substantially all of the assets of the Company.

21. Currency.

Payments made under the Plan shall be determined in the same currency in which a Director receives his cash compensation.

22. Headings.

Headings and subheadings in the Plan are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

* * *

IN WITNESS WHEREOF, the following authorized officer of the Company has executed the Plan to evidence its adoption by the Company as of the date set forth below.

RESOLUTE FOREST PRODUCTS INC.

By: /s/ Richard Garneau

Richard Garneau
President and Chief Executive Officer

Dated: September 1, 2012

EXHIBIT 31.1

Certification

I, Richard Garneau, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2012 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: November 9, 2012

/s/ Richard Garneau
Richard Garneau
President and Chief Executive Officer

EXHIBIT 31.2

Certification

I, Jo-Ann Longworth, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2012 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: November 9, 2012

/s/ Jo-Ann Longworth
Jo-Ann Longworth
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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 quarterly report on Form 10-Q for the quarter ended September 30, 2012 (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.

Dated: November 9, 2012	/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 quarterly report on Form 10-Q for the quarter ended September 30, 2012 (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.

Dated: November 9, 2012

/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.