

This is **Exhibit "D"** referred to in the Affidavit #1 of Brian Baarda made before me at Vancouver, British Columbia this 31st day of January 2012.

A handwritten signature in black ink, appearing to be 'J. J. J.', is written over a horizontal line.

A Commissioner for the taking Affidavits
for British Columbia

INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT ("Agreement"), is dated as of March th10, 2010, and entered into by and among Catalyst Paper Corporation ("Catalyst"), the Guarantors (as defined below) party hereto from time to time, CIT Business Credit Canada Inc., in its capacity as collateral agent for itself and the ABL Debtholders (as defined below) (including its successors and assigns from time to time, the "ABL Collateral Agent") and Computershare Trust Company of Canada, in its capacity as collateral trustee for itself and the Noteholders (as defined below) (including its successors and assigns from time to time, the "Collateral Trustee"). Capitalized terms used in this Agreement have the meanings assigned to them in Section I below.

RECITALS

WHEREAS, Catalyst, the Guarantors, certain of the ABL Debtholders (as defined below), the ABL Collateral Agent and the other agents and other persons from time to time party thereto have entered into the ABL Credit Agreement (as defined below);

WHEREAS, Catalyst, the Guarantors from time to time party thereto, the Collateral Trustee, as collateral trustee, and Wilmington Trust FSB, as trustee (the "Trustee"), have entered into the Notes Indenture (as defined below) pursuant to which notes were issued to certain of the Noteholders (as defined below);

WHEREAS the obligations of Catalyst and the Guarantors to the ABL Debtholders and the Noteholders are secured by all assets of Catalyst and the Guarantors, subject to certain exclusions;

WHEREAS it is the intent of the parties that the ABL Debtholders shall have a first-ranking lien on certain assets of Catalyst and Guarantors, and the Noteholders shall have a first-ranking lien on other assets of Catalyst and the Guarantors, and that the ABL Debtholders shall have a second-ranking lien on the assets on which the Noteholders have a first-ranking lien, and that the Noteholders shall have a second-ranking lien on the assets on which the ABL Debtholders have a first-ranking lien; and

NOW THEREFORE, in furtherance of the foregoing, each of the parties hereto has agreed to enter into this Agreement to set forth the relative priority of their respective Liens on the Collateral (each as defined below) and certain other rights, priorities and interests as set forth in this Agreement.

AGREEMENT

In consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

I. DEFINITIONS.

1.1 Defined Terms.

As used in the Agreement, the following terms shall have the following meanings:

"ABL Collateral Agent" shall have the meaning set forth in the recitals hereto.

"ABL Collateral Agent Standstill Period" means a period commencing on the earlier of: (x) the date of the commencement of any Insolvency or Liquidation Proceeding by or against Catalyst or any Guarantor that has not been dismissed, or (y) the date on which the ABL Collateral Agent first declares the existence of an ABL Default, demands the repayment of all the principal amount of any ABL Debt Obligations, and the Collateral Trustee has received notice from the ABL Collateral Agent of such declaration of an ABL Default; and ending on the date of the Discharge of Capped Secured Obligations.

"ABL Collateral Deposit Notice" shall have the meaning set forth in Section 3.5.

"ABL Credit Agreement" means the credit agreement dated as of August 13, 2008, among Catalyst, the other Guarantors named therein, the lenders party thereto, the ABL Collateral Agent, as agent, co-lead arranger, joint bookrunner, syndication agent, collateral agent and documentation agent, and J.P. Morgan Securities Inc., as co-lead arranger and joint bookrunner, as the same may be amended, supplemented or otherwise modified from time to time (including any amendment and restatement thereof), in each case, including, without limitation, any credit facility, letter of credit, agreement, indenture, notes, other documents or instruments or other arrangement extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of available borrowings thereunder or adding Subsidiaries of Catalyst as additional borrowers or guarantors thereunder) all or any portion of the Debt under such agreements or arrangements, together with any successor or replacement agreements or other arrangements, and whether by or with the same or any other agent, lender or group of lenders or other institutions providing credit.

"ABL Credit Facilities" or "ABL Credit Facility" means, collectively, any credit facilities, letter of credit or other borrowing or lending arrangements of Catalyst and/or the Guarantors (including without limitation the credit facilities and the ABL Derivatives Facilities contemplated under the ABL Credit Agreement) together with the related documents thereto (including, without limitation, any loan agreements, note purchase agreements, indentures, notes, guarantee agreements, collateral documents, mortgages, instruments and security documents executed in connection therewith), in each case as any such agreements or arrangements may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, in each case, including, without limitation, any credit facility, letter of credit, agreement, indenture, notes, other documents or instruments or other arrangement extending the maturity of, refinancing, replacing or otherwise restructuring (including increasing the amount of available borrowings thereunder or adding Subsidiaries of Catalyst as additional borrowers or guarantors thereunder) all or any portion of the Debt under such agreements or arrangements, together with any successor or replacement agreements or other arrangements, and whether by or with the same or any other agent, lender or group of lenders or other institutions providing credit.

"ABL Debt" means Debt incurred or arising under the ABL Credit Facilities and the ABL Derivative Facilities.

"ABL Debt Documents" means the ABL Credit Agreement, any additional credit agreement or indenture related thereto and all other loan documents, security documents, notes, guarantees, instruments and agreements (including without limitation cash management agreements) governing or evidencing, or executed or delivered in connection with, the ABL Credit Facilities and the ABL Derivatives Facilities, as such agreements or instruments may be amended or supplemented from time to time.

"ABL Debt Obligations" means the ABL Debt and all other Obligations in respect thereof.

"ABL Debtholders" means all holders of ABL Debt Obligations from time to time.

"ABL Default" means an "Event of Default" (as defined in the ABL Credit Facilities).

"ABL Derivative Facilities" means obligations of Catalyst and any Guarantors under any derivatives transactions from time to time entered into by Catalyst or any such Guarantors with any of the lenders under the ABL Credit Agreement or their affiliates pursuant to the Ancillary Credit Facilities (as defined in the ABL Credit Agreement) or any similar facility under any refinancing or replacement of or successor to the ABL Credit Agreement.

"ABL First Lien Collateral" means, collectively, (a) the ABL Working Capital Collateral and (b) the ABL Snowflake Collateral; provided however, that to the extent that Catalyst has notified the Collateral Trustee that the ABL Collateral Agent has released all liens securing ABL Debt Obligations on all ABL Snowflake Collateral in accordance with the ABL Debt Documents (the date of such notice, the "Snowflake Redesignation Date"), then all ABL Snowflake Collateral owned by Catalyst and the Guarantors shall automatically be redesignated as, and be deemed to constitute, Notes First Lien Collateral. For the sake of clarity once the Discharge of Capped Secured Obligations has occurred, the Notes First Lien Collateral shall be "ABL First Lien Collateral" for the purposes of this Agreement.

"ABL Snowflake Collateral" means, (a) the ABL US Mortgaged Collateral and (b) in respect of Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, the following, whether now owned or hereafter acquired:

- (a) all equipment and motor vehicles;
- (b) all fixtures;
- (c) all monies and claims for monies now or hereafter due and payable in connection with any or all of the property described in (a) through (b) and all cash and non-cash proceeds of the foregoing;
- (d) all documents, chattel paper, instruments, securities, financial assets and investment property (other than Excluded Equity Interests) in connection with (a) through (c);

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- (e) all commercial tort claims arising in connection with any or all of the property described in (a) through (d);
- (f) all letters of credit, letter-of-credit rights and supporting obligations in connection with (a) through (e);
- (g) all substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in this definition; and
- (h) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in this definition, including the proceeds of such proceeds, tort claims, insurance claims, and other rights to payment not otherwise included in the foregoing and products of the foregoing;

provided, however, that ABL Snowflake Collateral shall not include any Excluded Equity Interests or any ABL Working Capital Collateral.

"ABL US Mortgaged Collateral" means all owned and leased real property and fixtures of Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, whether now owned or hereafter acquired.

"ABL Working Capital Collateral" means the following assets and property of Catalyst and any of the Guarantors, now owned or hereafter acquired:

- (a) all inventory, including goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, supplies and goods used in or procured for packing and materials used or consumed in the business of the Catalyst and the Guarantors;
- (b) all goods of the U.S. Guarantors which are in existence on the date hereof, other than ABL Snowflake Collateral;
- (c) all accounts due or accruing and all related agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating to them;
- (d) all monies and claims for monies now or hereafter due and payable in connection with any or all of the property described in (a) and (c), all present and future acquired deposit accounts and other accounts of Catalyst and the Guarantors (other than any Noteholder Proceeds Collateral Account and any proceeds of Notes First Lien Collateral on deposit therein), all cash, cash equivalents and other monies of Catalyst and the Guarantors and all cash and non-cash proceeds of the foregoing;
- (e) all records, documents, instruments, documents of title, investment property, financial assets, instruments, chattel paper, supporting obligations, commercial tort claims, letters of credit and letter of credit rights and other claims and causes of action, in each case, in connection with the foregoing;

- (f) all substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in (a) through (e) inclusive of this definition; and
- (g) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in (a) through (f) inclusive of this definition, including the proceeds of such proceeds, but for greater certainty, excluding identifiable proceeds of Notes First Lien Collateral;

provided, however, that ABL Working Capital Collateral shall not include any Excluded Equity Interests. For greater certainty, any of the items set forth in this definition that are or become branded or otherwise produced through the use of any general intangibles or intellectual property shall constitute ABL Working Capital Collateral.

"Applicable ABL Junior Collateral" shall have the meaning set forth in Section 6.4.

"Applicable Notes Junior Collateral" shall have the meaning set forth in Section 6.4.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statute.

"Bankruptcy Court" means a court of competent jurisdiction in respect of Bankruptcy Law.

"Bankruptcy Law" means the *Bankruptcy Code*, the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and any similar federal, state or foreign law for the relief of debtors (including any such proceeding under any applicable Canadian corporate legislation, as now or hereafter in effect).

"Blocked Account" means, with respect to each of Catalyst and the Guarantors, deposit accounts and lock boxes, established and maintained, in the name and at the expense of Catalyst or a Guarantor, as applicable, with such banks as are acceptable to the ABL Collateral Agent and which are established in accordance with the ABL Debt Documents.

"Canadian Poplar Farm Lands" means any real property forming part of, or used by Catalyst or any Guarantor, in connection with the following poplar farms owned by Catalyst or any Guarantor and located in Vancouver Island, British Columbia:

- (a) Granville poplar farm comprised of 51.9 acres; and
- (b) Sacks poplar farm comprised of 116.1 acres.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, shares, partnership interests or any other participation, right or other interest in the nature of an equity interest in such Person including, without limitation, common stock and preferred stock of such Person, or any option, warrant or other security convertible into any of the foregoing.

"Capitalized Lease Obligations" means, with respect to any Person, Debt represented by obligations under a lease that is required to be capitalized for financial reporting purposes in

accordance with GAAP, and the amount of such Debt will be the capitalized amount of such obligations determined in accordance with GAAP.

"Catalyst" shall have the meaning set forth in the recitals hereto.

"Closing" means the date of this Agreement.

"Collateral" means, collectively, the Notes First Lien Collateral and the ABL First Lien Collateral.

"Collateral Trust Agreement" means the collateral trust agreement among Catalyst, the Guarantors, Wilmington Trust FSB, as trustee and the Collateral Trustee, which agreement, among other things, shall govern the priorities as between the Noteholder Priority Lien Obligations and the Noteholder Subordinated Lien Obligations, as the same may be amended, supplemented or otherwise modified from time to time (including any amendment and restatement thereof).

"Collateral Trustee" shall have the meaning ascribed to such term in the recitals hereto.

"Collateral Trustee Standstill Period" means a period commencing on the earlier of: (x) the date of the commencement of any Insolvency or Liquidation Proceeding by or against Catalyst or any Guarantor that has not been dismissed, or (y) the date on which the Collateral Trustee first declares the existence of a Noteholder Priority Lien Default or a Noteholder Subordinated Lien Default, as applicable, demands the repayment of all the principal amount of any Noteholder Priority Lien Obligations or Noteholder Subordinated Lien Obligations, as applicable, and the ABL Collateral Agent has received notice from the Collateral Trustee of such declaration of a Noteholder Priority Lien Default or Noteholder Subordinated Lien Default, as applicable; and ending on the date of the Discharge of ABL Debt Obligations.

"Commencement Date" shall have the meaning set forth in Section 3.3.

"Debt" means (without duplication, including, without limitation, duplication arising or existing because a Person and one or more of its subsidiaries are or will become either directly or indirectly liable for the same debt whether by virtue of guarantees, or joint, or joint and several liability in respect of such debt or otherwise), with respect to any Person, any indebtedness at any time outstanding, secured or unsecured, contingent or otherwise, which is for borrowed money (whether or not the recourse of the lender is to the whole of the assets of that Person or only to a portion of the assets of that Person), or evidenced by bonds, notes, debentures or similar instruments or representing the balance deferred and unpaid of the purchase price of any property, and including without limitation obligations of that Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction and obligations under any ABL Derivatives Facilities.

"DIP Financing" shall have the meaning set forth in Section 6.1.

"Discharge of ABL Debt Obligations" means the occurrence of all of the following:

- (a) termination or expiration of all commitments to extend credit that would constitute ABL Debt;

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- (b) payment in full in cash of the principal of, and interest (including interest accruing on or after the commencement of an Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding), fees and premium, if any, on all ABL Debt (other than any undrawn letters of credit) outstanding under the ABL Debt Documents in accordance with the terms of the ABL Debt Documents, other than from the proceeds of an incurrence of ABL Debt;
- (c) discharge or cash collateralization of all outstanding letters of credit constituting ABL Debt in accordance with the terms of the ABL Debt Documents; and
- (d) payment in full in cash of all other ABL Debt Obligations that are outstanding and unpaid at the time the ABL Debt is paid in full in cash (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time).

"Discharge of Capped Secured Obligations" means the earlier to occur of (a) a Discharge of Noteholder Secured Obligations or (b) a Discharge of Noteholder Secured Obligations with respect to all outstanding Noteholder Secured Obligations other than Junior Noteholder Secured Obligations.

"Discharge of Noteholder Secured Obligations" means the occurrence of all of the following:

- (a) termination or expiration of all commitments to extend credit that would constitute Noteholder Secured Debt;
- (b) payment in full in cash of the principal of and interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding), fees and premium, if any, on all Debt outstanding under the Noteholder Secured Debt Documents in accordance with the terms of the Noteholder Secured Debt Documents and constituting Noteholder Secured Debt;
- (c) discharge or cash collateralization (in an amount and manner required by the Noteholder Secured Debt Documents or otherwise reasonably satisfactory to the trustee, agent or other representative under the relevant Noteholder Secured Debt Documents, but in no event greater than 105% of the aggregate undrawn face amount) of all letters of credit issued under (a) the Noteholder Priority Lien Documents and constituting Noteholder Priority Lien Debt or (b) the Noteholder Subordinated Lien Documents and constituting Noteholder Subordinated Lien Debt, in each case in accordance with the terms of the Noteholder Secured Debt Documents; and
- (d) payment in full in cash of all other Noteholder Secured Obligations that are outstanding and unpaid at the time the Noteholder Secured Debt is paid in full in cash (other than any obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities in respect of which no claim or demand for payment has been made at such time).

"Disposition" shall have the meaning set forth in Section 3.1(d).

"Enforcement" means collectively or individually for the ABL Collateral Agent or the Collateral Trustee when an ABL Default, a Noteholder Priority Lien Default or a Noteholder Subordinated Lien Default, as the case may be, has occurred and is continuing, any action taken by such Person to repossess, or exercise any remedies with respect to, any material amount of Collateral or commence the judicial enforcement of any of the rights and remedies with respect to any Collateral under the ABL Debt Documents, the Noteholder Secured Debt Documents or under any applicable law, but in all cases excluding (i) the demand of the repayment of all or any of the principal amount of any of the Obligations, (ii) the imposition of a default rate or late fee, (iii) the collection and application of, or the delivery of any activation notice with respect to, accounts or other proceeds of ABL First Lien Collateral deposited from time to time in deposit accounts or securities accounts against the ABL Debt Obligations; provided, however, the foregoing exclusion set forth in clause (iii) shall immediately cease to apply upon the earlier of (x) the ABL Collateral Agent's delivery of written notice to Catalyst that such exclusion no longer applies and (y) the acceleration of any of the ABL Debt Obligations, and (iv) the collection and application of proceeds of Notes First Lien Collateral deposited from time to time in a Noteholder Proceeds Collateral Account; provided, however, the foregoing exclusion set forth in clause (iv) shall immediately cease to apply upon the earlier of (x) the Collateral Trustee's delivery of written notice to Catalyst that such exclusion no longer applies and (y) the acceleration of any of the Noteholder Secured Obligations.

"Enforcement Notice" means a written notice delivered, at a time when an ABL Default, a Noteholder Priority Lien Default or a Noteholder Subordinated Lien Default has occurred and is continuing, by either the ABL Collateral Agent or the Collateral Trustee to the other such Person announcing that an Enforcement Period has commenced, specifying the relevant event of default, stating the current balance of the ABL Debt Obligations or the current balance owing with respect to the Noteholder Secured Obligations, as the case may be, and requesting the current balance owing of the ABL Debt Obligations or the Noteholder Secured Obligations, as the case may be.

"Enforcement Period" means the period of time following the receipt by either the ABL Collateral Agent or the Collateral Trustee of an Enforcement Notice from the other until (i) in the case of an Enforcement Period commenced by the Collateral Trustee, the Discharge of Capped Secured Obligations, (ii) in the case of an Enforcement Period commenced by the ABL Collateral Agent, the Discharge of ABL Debt Obligations, or (iii) the Collateral Trustee or the ABL Collateral Agent (as applicable) agree in writing to terminate the Enforcement Period.

"Excluded Assets" means the following:

- (a) all Excluded Equipment and all motor vehicles and other equipment comprising "serial numbered goods" under the PPSA and any other applicable, personal property security laws;
- (b) the following surplus assets and existing assets scheduled to be sold:
 - (i) those surplus lands relating to the Elk Falls co-generation facility legally described as PID: 001-233-432, District Lot 109, Sayward District, Except

Parcel A (DD 285472-I) And Those Parts in Plans 1373-R, 16956, 50636, VIP54479 and VIP64521;

- (ii) the Canadian Poplar Farm Lands;
- (iii) the U.S. Poplar Farm Lands; and
- (iv) all leasehold interests in real property other than the Leasehold Collateral;

provided, however, that that at no time shall the sum of (x) the aggregate book value of all Excluded Assets referred to in this clause (b) plus (y) commencing 90 days after the Closing, the aggregate book value of all Leasehold Collateral for which appropriate third party consents to the granting of security therein have not been obtained by Catalyst or the applicable Guarantor, exceed \$25,000,000;

- (c) all present and after acquired interests in real and personal property interests owned by any Subsidiary of Catalyst which is not a Guarantor or in the future required to be a Guarantor in accordance with the terms of the ABL Debt Documents, the Noteholder Secured Debt Documents or this Agreement (including the Powell River Energy Joint Venture), including any such interests owned jointly by Catalyst and any Subsidiary that is not a Guarantor as tenants-in-common (except to the extent that Catalyst's beneficial interest therein may be pledged in compliance with all applicable contractual and legal requirements, without any obligation on Catalyst to obtain any consent), or where Catalyst or any Guarantor holds such interest as nominee for any Subsidiary that is not a Guarantor, including those lands relating to the Powell River Energy Joint Venture legally described as:
 - (i) Parcel Identifier 002-560-194, Block 46, except those portions included in Plans 8519, 10829, Reference Plan 3573 and Explanatory Plan 6151 and Plans 12506 and 14689, District Lot 450 Plan 8096; and
 - (ii) Parcel Identifier 025-961-373, Lot F Blocks 43 and 46 District Lot 450 New Westminster District Plan BCP7701;
- (d) all real property interests that are not fee interests or Leasehold Collateral;
- (e) all Excluded Interests;
- (f) all Excluded Equity Interests;
- (g) any interest in real property acquired after the date hereof if the net book value of such interest is less than \$250,000; and
- (h) any other property that would otherwise comprise Notes First Lien Collateral, so long as the aggregate book value of the Excluded Assets under this clause (h) does not exceed \$10,000,000 in the aggregate at any one time.

"Excluded Equipment" means at any date any equipment or other assets or property of Catalyst or any Guarantor which is subject to, or secures, Purchase Money Debt or a Capitalized Lease Obligation if and to the extent that (i) a restriction in favor of a Person who is not Catalyst or a Guarantor contained in the agreements or documents granting or governing such Capitalized Lease Obligation or purchase money obligation prohibits, or requires any consent or establishes any other conditions for or would result in the termination of such agreement or document because of an assignment thereof, or a grant of a security interest therein, by Catalyst or any Guarantor and (ii) such restriction relates only to the asset or assets acquired by Catalyst or any Guarantor with the proceeds of such Purchase Money Debt or Capitalized Lease Obligation and attachments thereto, improvements thereof or substitutions therefor.

"Excluded Equity Interests" means all Capital Stock and other equity interests owned at any time by Catalyst or any Guarantor in any Subsidiary or any other Person or joint venture.

"Excluded Interest" means at any date any rights or interest of Catalyst or any Guarantor under any agreement, contract, license, instrument, document or other general intangible, in each cash other than a leasehold interest in real property (any such agreement, contract, license, instrument, document or other general intangible referred to solely for purposes of this definition as an **"Interest"**) to the extent that such Interest by its terms, or any requirement of law, prohibits, or requires any consent (which has not been obtained) or establishes any other condition for or would terminate or be violated because of, an assignment thereof or a grant of a security interest therein by Catalyst or a Guarantor (unless such consent is obtained or condition is satisfied), it being understood that Catalyst shall have no obligation to seek to obtain any such consent or satisfy any such condition.

"First Lien Secured Obligations Cap" shall mean the principal amount of Noteholder Secured Obligations equal to either (i) U.S. \$551.720 Million, plus all interest (including any interest paid in kind), fees, costs, expenses and other amounts owing thereon (including post-petition interest, fees, costs and other charges, irrespective of whether a claim for such amounts is allowed or allowable in any Insolvency or Liquidation Proceeding) in accordance with the applicable Noteholder Secured Debt Documents, plus \$60.0 Million in the event that the Snowflake Redesignation Date has occurred, or (ii) U.S. \$551.720 Million, plus all interest (including any interest paid in kind), fees, costs, expenses and other amounts owing thereon (including post-petition interest, fees, costs and other charges, irrespective of whether a claim for such amounts is allowed or allowable in any Insolvency or Liquidation Proceeding) in accordance with the applicable Noteholder Secured Debt Documents in the event the Snowflake Redesignation Date has not occurred.

"Guarantor" means each entity listed on the signature pages hereto as a "Guarantor", together with any other Person who may become a guarantor of either the ABL Debt Obligations and the Noteholder Secured Obligations from time to time. For greater certainty, a "Guarantor" includes those borrowers under the ABL Credit Facility in addition to Catalyst.

"Insolvency or Liquidation Proceeding" means:

- (a) any case or proceeding commenced by or against Catalyst or any Guarantor under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada), the *Bankruptcy Code* or any similar Bankruptcy Law for the relief or protection of debtors, any other proceeding of a similar nature for the

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reorganization, protection, restructuring, compromise, arrangement, composition, adjustment or marshalling of any of the assets and/or liabilities of Catalyst or any Guarantor (including, any such proceeding under any applicable Canadian corporate legislation, as now or hereafter in effect), or any similar case or proceeding relative to Catalyst or any Guarantor or its creditors, as such, in each case whether or not voluntary;

- (b) any receivership, foreclosure, petition or assignment for the benefit of creditors relating to Catalyst or any Guarantor or any similar case or proceeding relative to Catalyst or any Guarantor or its creditors, as such, in each case whether or not voluntary;
- (c) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to Catalyst or any Guarantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency, unless otherwise permitted by the Noteholder Secured Debt Documents and the ABL Debt Documents;
- (d) any proceeding seeking the appointment of a trustee, receiver, receiver and manager, interim receiver, administrator, liquidator, custodian or other insolvency official or fiduciary with respect to Catalyst or any Guarantor or any of their assets;
- (e) any case or proceeding commenced by or against Catalyst or any Guarantor seeking to adjudicate Catalyst or any Guarantor a bankrupt or insolvent, whether or not voluntary;
- (f) any other proceeding of any type or nature in which substantially all claims of creditors of Catalyst or any Guarantor are determined and any payment or distribution is or may be made on account of such claims; or
- (g) any analogous procedure or step in any jurisdiction.

"Interest" shall have the meaning set forth in the definition of "Excluded Interest".

"Junior Lien Reorganization Securities" shall have the meaning set forth in Section 6.4.

"Junior Noteholder Secured Obligations" shall mean any and all Noteholder Secured Obligations that, at the time of the incurrence thereof, are in excess of the First Lien Secured Obligations Cap. For greater certainty, any Noteholder Secured Obligations that are Junior Noteholder Secured Obligations at the time of incurrence shall continue to be Junior Noteholder Secured Obligations notwithstanding the repayment of all or a portion of the Noteholder Secured Obligations that fit within the First Lien Secured Obligations Cap. Catalyst shall, upon the incurrence of any Junior Noteholder Secured Obligations, notify the Collateral Trustee and the ABL Collateral Agent of the same, and such Junior Noteholder Secured Obligations shall be designated as such under the terms of the Noteholder Secured Debt Documents.

"Leasehold Collateral" shall have the meaning set forth in the definition of "Notes First Lien Collateral".

"Lien" means, with respect to any property or assets of any Person, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, easement, encumbrance, priority, or other security agreement of any kind or nature whatsoever on or with respect to that property or assets (including without limitation, any Capitalized Lease Obligation, conditional sales, or other title retention agreement having substantially the same economic effect as any of the foregoing), provided that in no event shall an operating lease be deemed to constitute a Lien.

"Liquidation Period" shall have the meaning set forth in Section 3.3.

"Note Collateral Deposit Notice" shall have the meaning set forth in Section 3.5.

"Note Collateral Proceeds" shall have the meaning set forth in Section 3.5.

"Noteholder Priority Lien Debt" means:

- (a) the notes initially issued by Catalyst under the Notes Indenture together with any related guarantees of the Guarantors; and
- (b) (i) additional notes issued under the Notes Indenture, (ii) Additional Priority Lien Debt (as defined in the Notes Indenture), (iii) other Debt (including letters of credit and reimbursement obligations with respect thereto) of Catalyst that is secured equally and ratably with the notes issued under the Notes Indenture by a Lien and that was permitted to be incurred and so secured under each applicable Noteholder Secured Debt Document, ABL Debt Document and this Agreement, and (iv) guarantees thereof by any of the Guarantors permitted to be incurred under each applicable Noteholder Secured Debt Document, ABL Debt Document and this Agreement.

"Noteholder Priority Lien Default" means an "Event of Default" (as defined in any of the Noteholder Priority Lien Documents).

"Noteholder Priority Lien Documents" means the Notes Indenture and any additional indenture, credit facility or other agreement pursuant to which any Noteholder Priority Lien Debt is incurred and the security documents related thereto (other than any security documents that do not secure Noteholder Priority Lien Obligations), as each may be amended, supplemented or otherwise modified from time to time in accordance with their terms.

"Noteholder Priority Lien Obligations" means Noteholder Priority Lien Debt and all other Obligations in respect thereof.

"Noteholder Proceeds Collateral Account" means a deposit account or securities account established by and under the sole dominion and control of the Collateral Trustee and into which proceeds of Notes First Lien Collateral (and no proceeds of ABL First Lien Collateral or Excluded Assets) are to be deposited by or on behalf of Catalyst, a Guarantor or the Collateral Trustee.

"Noteholder Secured Debt" means Noteholder Priority Lien Debt and Noteholder Subordinated Lien Debt.

"Noteholder Secured Debt Documents" means the Noteholder Priority Lien Documents and the Noteholder Subordinated Lien Documents.

"Noteholder Secured Default" means a Noteholder Priority Lien Default and/or a Noteholder Subordinated Lien Default.

"Noteholder Secured Obligations" means Noteholder Priority Lien Obligations and Noteholder Subordinated Lien Obligations, and for the avoidance of doubt, excludes the ABL Debt Obligations.

"Noteholder Subordinated Lien Debt" means any Debt (including letters of credit and reimbursement obligations with respect thereto) of Catalyst or any Guarantor that is secured on a subordinated basis to the Noteholder Priority Lien Debt and that was permitted to be incurred and so secured under each applicable Noteholder Priority Lien Document and ABL Debt Document, and is designated as "Subordinated Lien Debt" pursuant to the Collateral Trust Agreement.

"Noteholder Subordinated Lien Default" means an "Event of Default" (as defined in any of the Noteholder Subordinated Lien Documents).

"Noteholder Subordinated Lien Documents" means, collectively, any indenture, credit agreement or other agreement governing each series of Noteholder Subordinated Lien Debt and the security documents related thereto (other than any security documents that do not secure Noteholder Subordinated Lien Obligations), in each case as such documents may be amended, restated, modified or supplemented from time to time in accordance with their terms.

"Noteholder Subordinated Lien Obligations" means Noteholder Subordinated Lien Debt and all other Obligations in respect thereof.

"Noteholders" means all holders of Noteholder Secured Obligations from time to time.

"Notes First Lien Collateral" means all assets and property of Catalyst and the Guarantors, now owned or hereafter acquired, including without limitation the following, but excluding the ABL First Lien Collateral and Excluded Assets:

- (a) each Noteholder Proceeds Collateral Account;
- (b) all fee interests in any real property;
- (c) the following leasehold interests in real property: (x) the leasehold interests for the Paper Recycling Division Plant and the Surrey Distribution Centre, (y) the leasehold interests arising under any waterlot or foreshore leases required for access to any of the facilities forming part of the Notes First Lien Collateral, and (z) all other after-acquired leasehold interests that Catalyst determines to be material to the business of Catalyst (such determination to be made in the good faith discretion of Catalyst) (the foregoing assets described in clauses (x), (y) and (z), the **"Leasehold Collateral"**);
- (d) all equipment, machinery, fixtures, plants, tools and furniture;

- (e) all general intangibles and intellectual property;
- (f) all records, documents, documents of title, investment property, financial assets, instruments, chattel paper, supporting obligations, commercial tort claims, letters of credit and letter of credit rights and other claims and causes of action, in each case, in connection with the foregoing;
- (g) all substitutions, replacements, accessions, products and proceeds (including, without limitation, insurance proceeds, payments, claims, damages and proceeds of suits) of any or all of the foregoing, including all identifiable proceeds of Notes First Lien Collateral, but for greater certainty excluding identifiable proceeds of ABL First Lien Collateral; and
- (h) from and after the Snowflake Redesignation Date, all ABL Snowflake Collateral.

"Notes Indenture" means the indenture of even date herewith among Catalyst, the Guarantors, the Collateral Trustee, and Wilmington Trust FSB, as trustee, as the same may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time (including any amendment and restatement thereof), in each case, including, without limitation, any credit facility, letter of credit, agreement, indenture, notes, other documents or instruments or other arrangement extending the maturity of, refinancing, replacing or otherwise restructuring all or any portion of the Debt under such agreements or arrangements, together with any successor or replacement agreements or other arrangements.

"Obligations" means any principal, interest, penalties, fees, expenses, indemnifications, reimbursements, damages and other liabilities, interest, fees and expenses payable under the documentation governing Noteholder Secured Debt or ABL Debt, as the case may be, (including after the commencement of any Insolvency or Liquidation Proceeding, even if such liabilities, interest, fees and expenses are not enforceable, allowable or allowed as a claim in such proceeding) under any Noteholder Secured Debt Documents or ABL Debt Documents, as the case may be.

"Offices" means the offices of each of Catalyst and the Guarantors where any of the ledgers, books, records, computers, books of account, computer programs, disks, tape files, printout runs, and other computer-prepared information with respect to accounts and inventory, including data regarding claims and collections with respect thereto and any other proceeds thereof, are maintained and where mail (including payments of any accounts) is received.

"Paper Recycling Division Plant" means the lands and buildings located at 1050 United Boulevard, Coquitlam, British Columbia and legally described as PID: 017-513-294 Lot A District Lot 16 and 48 Group 1 New Westminster District Plan LMP1969 and in which Catalyst has a leasehold interest pursuant to a lease made between Catalyst (resulting from an assignment by Norske Skog Canada Limited), as tenant, and Balaclava Holdings Ltd., as landlord, dated as of the 1st day of December, 2003 and registered in the Vancouver/ New Westminster land title office under number BV500248.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government (including any agency or political subdivision thereof).

"Pledged Collateral" shall have the meaning set forth in Section 5.4.

"Powell River Energy Joint Venture" means, collectively, Powell River Energy Inc. and Powell River Energy Limited Partnership.

"PPSA" means the *Personal Property Security Act* (British Columbia), as amended from time to time, or when the context implies, the applicable personal property security legislation in effect in any other Canadian province or territory.

"Purchase Money Debt" means any Debt incurred by a Person to finance the cost (including the cost of acquisition, construction, lease, installation or improvement) of an item of property or assumed in connection with the acquisition of any item of property, the principal amount of which Debt does not exceed the sum of:

- (a) the lesser of (a) the fair market value of such property and (b) 100% of such cost or acquisition consideration; and
- (b) reasonable fees and expenses of such Person incurred in connection therewith.

"Receiver" means any receiver, manager, receiver-manager, receiver and manager, interim receiver or other Person exercising similar powers appointed by or at the request of the ABL Collateral Agent.

"Recovery" shall have the meaning set forth in Section 6.3.

"Senior Lien Reorganization Securities" shall have the meaning set forth in Section 6.4.

"Snowflake Redesignation Date" shall have the meaning set forth in the definition of ABL First Lien Collateral.

"Subsidiary" of any specified Person means any corporation, partnership, joint venture, limited liability company, association or other business entity, whether now existing or hereafter organized or acquired:

- (a) in the case of a corporation, of which more than 50% of the total voting power of the Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, officers or trustees thereof is held by that first-named Person or any of its Subsidiaries; or
- (b) in the case of a partnership, joint venture, limited liability company, association or other business entity, with respect to which that first-named Person or any of its Subsidiaries (x) owns, directly or indirectly, more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, of such, and (y) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such partnership, joint venture, limited liability company, association or other business entity, and (z) has the power to direct or cause the direction of the management and policies of that entity by contract or otherwise;

provided that, for greater certainty, the term "Subsidiary" when used in relation to Catalyst or any of its Subsidiaries shall not include Powell River Energy Inc. or Powell River Energy Limited Partnership.

"Surrey Distribution Centre" means the lands and buildings located at 10203 Robson Road, Surrey, British Columbia and legally described as PID: 004-501-110 Lot 14 District Lots 9, 10 and 11 Group 2 New Westminster District Plan 41612 and in which Catalyst has a leasehold interest pursuant to a sublease made between Catalyst (resulting from an assignment by Norske Skog Canada Limited), as tenant, and Wesik Enterprises Ltd., as landlord, dated for reference the 12th day of June 1998 and registered in the Vancouver/New Westminster land title office under number BM250814.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York or when the context implies, the Uniform Commercial Code as in effect from time to time in any other applicable jurisdiction.

"U.S. Guarantors" means each Guarantor formed under the laws of the United States or any state thereof or the District of Columbia.

"U.S. Poplar Farm Lands" means any real property forming part of, or used by Catalyst or any Guarantor, in connection with the following poplar farms owned by Catalyst or any Guarantor and located in Washington State:

- (a) Roney poplar farm comprised of 163 acres;
- (b) Misich-John poplar farm comprised of 486.5 acres;
- (c) Ricci- Marshall poplar farm comprised of 76.69 acres;
- (d) Hansen poplar farm comprised of 415 acres;
- (e) Cook poplar farm comprised of 48.83 acres;
- (f) Pound poplar farm comprised of 38.63 acres;
- (g) Osborne poplar farm comprised of 39.2 acres;
- (h) Wallace/Nelson/Ferndale poplar farm comprised of 28.4 acres;
- (i) Mount/Rayhorst poplar farm comprised of 85.2 acres;
- (j) Roos 1, Rothenbuhler poplar farm comprised of 136.2 acres;
- (k) Harless poplar farm comprised of 44.37 acres;
- (l) Sigurdson poplar farm comprised of 47.1 acres;
- (m) Coffelt poplar farm comprised of 16.6 acres;
- (n) Buyco poplar farm comprised of 57.6 acres;

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- (o) Burgler poplar farm comprised of 13.9 acres;
- (p) Hersman poplar farm comprised of 35.7 acres;
- (q) White poplar farm comprised of 44.9 acres;
- (r) Hovander poplar farm comprised of 55.6 acres;
- (s) Hawley poplar farm comprised of 55.4 acres;
- (t) Shelter poplar farm comprised of 53.4 acres; and
- (u) Holtcamp poplar farm comprised of 159 acres.

1.2 Terms Generally.

The definitions of terms in this Agreement shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise:

- (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented, modified, renewed or extended;
- (b) any reference herein to any Person shall be construed to include such Person's permitted successors and assigns;
- (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof;
- (d) all references herein to "\$" or "dollars" shall be to the lawful currency of Canada, and all references herein to "U.S.\$" or "U.S. dollars" shall be to the lawful currency of the United States of America;
- (e) all references herein to Sections shall be construed to refer to Sections of this Agreement;
- (f) all references to terms that are defined in the UCC shall have the meaning ascribed to them therein (unless otherwise specifically defined herein), and all references to terms that are defined in the PPSA and are not defined in the UCC shall have the meaning ascribed to them therein (unless otherwise specifically defined herein); and

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- (g) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

II. LIEN PRIORITIES.

2.1 Relative Priorities.

- (a) Notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any Liens securing the Noteholder Secured Obligations granted on the Collateral or of any Liens securing the ABL Debt Obligations granted on the Collateral and notwithstanding any provision of any UCC, the PPSA, or any other applicable law or the relevant other documents or any defect or deficiencies in, or failure to perfect, the relevant Liens or any other circumstance whatsoever, (a) any Lien of the ABL Collateral Agent on the ABL First Lien Collateral securing the ABL Debt Obligations, shall be senior in all respects and prior to any Lien on the ABL First Lien Collateral securing the Noteholder Secured Obligations, and (b) any Lien of the Collateral Trustee on the Notes First Lien Collateral securing the Noteholder Secured Obligations, shall be senior in all respects and prior to any Lien on the Notes First Lien Collateral securing the ABL Debt Obligations, *provided*, that the Lien on the Notes First Lien Collateral securing Junior Noteholder Secured Obligations shall be junior to the Lien on the Notes First Lien Collateral securing the ABL Debt Obligations.
- (b) In order to give effect to the proviso in clause (a) above, in the event that Catalyst issues Junior Noteholder Secured Obligations, Catalyst shall, on or prior to the date of such issuance, designate such excess Noteholder Secured Obligations as 'Junior Noteholder Secured Obligations'.
- (c) At the time that the Discharge of Capped Secured Obligations occurs, any remaining Notes First Lien Collateral after giving effect to such discharge shall automatically become ABL First Lien Collateral and shall thereafter be subject to the provisions of this Agreement applicable to ABL First Lien Collateral and the rights of the ABL Debtholders and holders of Junior Noteholder Secured Obligations applicable thereto.

2.2 Prohibition on Contesting Liens and this Agreement.

- (a) Each of the ABL Collateral Agent, on behalf of itself and each ABL Debtholder, and the Collateral Trustee, on behalf of itself and each Noteholder, agrees that it will not (and will waive any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity or enforceability of a Lien held by or on behalf of any holder of ABL Debt Obligations or Noteholder Secured Obligations in all or any part of the Collateral or the provisions of the ABL Debt Documents, the Noteholder Secured Debt Documents or this Agreement.
- (b) Nothing in this Agreement shall be construed to prevent or impair the rights of the ABL Collateral Agent, on behalf of itself and the ABL Debtholders on the one

hand, and the Collateral Trustee, on behalf of itself and the Noteholders on the other hand, from enforcing this Agreement.

2.3 Scope of Collateral.

It is the parties intention that the Collateral securing the Noteholder Secured Obligations, on the one hand, and the ABL Debt Obligations, on the other hand, will at all times be the same, and Catalyst and the Guarantors agree not to grant any Lien to secure any of such Obligations or have any Subsidiary or any other Person provide any guarantee of any such Obligations, as the case may be, without ensuring that the same Lien (or guarantee, as the case may be) is simultaneously granted to secure (or guarantee, as the case may be) the Noteholder Secured Obligations, on the one hand, and the ABL Debt Obligations, on the other hand.

III. ENFORCEMENT.

3.1 Exercise of Remedies – Restrictions on the Collateral Trustee and the Noteholders.

- (a) Until the Discharge of ABL Debt Obligations, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor, neither the Collateral Trustee nor any Noteholder will:
 - (i) exercise or seek to exercise any rights or remedies with respect to any ABL First Lien Collateral (including the exercise of any right of setoff or any right under any lockbox, pledged or blocked account agreement, securities account control agreement, armored car agreement, credit card processing agreement or any similar agreement among the Collateral Trustee and Catalyst or a Guarantor and the relevant service provider, depository or securities intermediary, landlord waiver or bailee's letter or similar arrangement to which the Collateral Trustee or any holder of Noteholder Secured Obligations is the beneficiary of or a party to in each case to the extent any of the foregoing constitute ABL First Lien Collateral) or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure), until after the passage of the Collateral Trustee Standstill Period;
 - (ii) contest, protest or object to any foreclosure proceeding or action in respect of ABL First Lien Collateral brought by the ABL Collateral Agent or any ABL Debtholder or any other exercise by such Persons of any rights and remedies relating to the ABL First Lien Collateral, whether under the ABL Debt Documents or otherwise; or
 - (iii) object to the forbearance by the ABL Collateral Agent or any ABL Debtholder from bringing or pursuing any Enforcement against ABL First Lien Collateral.
- (b) Until the Discharge of ABL Debt Obligations (whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor), the ABL Collateral Agent and the ABL Debtholders shall have the exclusive right to enforce rights, exercise remedies (including set-off and the right

to credit bid their debt) and, in connection therewith (including voluntary dispositions of ABL First Lien Collateral by Catalyst or the respective Guarantors after an ABL Default), make determinations regarding the release, disposition, or restrictions with respect to the ABL First Lien Collateral without any consultation with or the consent of the Collateral Trustee or any Noteholder, provided that the Liens securing the Noteholder Secured Obligations shall remain on and attach to the proceeds (other than those properly applied to the ABL Debt Obligations) of such Collateral released or disposed of subject to the relative priorities described in this Agreement.

- (c) Notwithstanding the preceding paragraphs (a) and (b), the Collateral Trustee and any Noteholder may, in accordance with the Collateral Trust Agreement:
- (i) file a claim or statement of interest with respect to the Noteholder Secured Obligations in any case or proceeding referred to in clause (a) of the definition "Insolvency or Liquidation Proceeding" that has been commenced by or against Catalyst or a Guarantor;
 - (ii) take any action (not adverse to the priority status of the Liens on the ABL First Lien Collateral, or the rights of the ABL Collateral Agent or any ABL Debtholder to exercise remedies in respect thereof) in order to create, perfect, preserve or protect its Lien on any of the Collateral;
 - (iii) file any necessary or appropriate responsive or defensive pleadings in opposition to any motion, claim, or other pleading objecting to or otherwise seeking the disallowance of the claims of the Noteholders, if any, in either case not inconsistent with the terms of this Agreement;
 - (iv) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of Catalyst or the Guarantors arising under any case or proceeding referred to in clause (a) of the definition of "Insolvency or Liquidation Proceeding" or applicable non-bankruptcy law;
 - (v) vote in favour of or against any plan of reorganization, compromise or arrangement, or file any proof of claim, make other filings and/or make any arguments and motions with respect to the Noteholder Secured Obligations that in each case, are not inconsistent with the terms of this Agreement, including commencing any case or proceeding referred to in clause (a) of the definition of "Insolvency or Liquidation Proceeding";
 - (vi) exercise any of its rights or remedies with respect to any of the ABL First Lien Collateral after the termination of the Collateral Trustee Standstill Period; or
 - (vii) make a cash bid on all or any portion of the ABL First Lien Collateral in any foreclosure proceeding or action.

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The Collateral Trustee, on behalf of itself and each Noteholder, agrees that it will not take or receive any ABL First Lien Collateral or any proceeds of such ABL First Lien Collateral in connection with the exercise of any right or remedy (including set-off) with respect to any such ABL First Lien Collateral in its capacity as a creditor in violation of this Agreement. Unless and until the Discharge of ABL Debt Obligations, except as expressly provided in Section 3.1(c) and Section 6.2, the sole right of the Collateral Trustee and the Noteholders with respect to the ABL First Lien Collateral is to hold a Lien (if any) on such Collateral pursuant to the respective Noteholder Secured Debt Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of ABL Debt Obligations.

- (d) Subject to Section 6.2, the Collateral Trustee, on behalf of itself and the Noteholders:
- (i) agrees that such Persons will not take any action that would hinder any exercise of remedies under the ABL Debt Documents or that is otherwise prohibited under this Agreement, including any sale, lease, exchange, transfer or other disposition (collectively, a "Disposition") whether by foreclosure or otherwise of the ABL First Lien Collateral,
 - (ii) agrees to waive any and all rights such Persons may have as a junior lien creditor to object to the manner in which the ABL Collateral Agent or the ABL Debtholders seek to enforce or collect the ABL Debt Obligations or the Liens securing the ABL Debt Obligations granted in any of the ABL Debt Documents and undertaken in accordance with this Agreement, regardless of whether any action or failure to act by or on behalf of the ABL Collateral Agent or the ABL Debtholders is adverse to the interest of the Noteholders; and
 - (iii) acknowledges that no covenant, agreement or restriction contained in any Noteholder Secured Debt Document (in each case, other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the ABL Collateral Agent or the ABL Debtholders with respect to the enforcement of the Liens on the ABL First Lien Collateral as set forth in this Agreement and the ABL Debt Documents.
- (e) Except as otherwise specifically set forth in Section 3.1(a), the Collateral Trustee and the Noteholders may, in accordance with the Collateral Trust Agreement, exercise rights and remedies as unsecured creditors against Catalyst or any Guarantor that has guaranteed or granted Liens to secure the Noteholder Secured Obligations, as applicable, and the Collateral Trustee may exercise rights and remedies with respect to the Notes First Lien Collateral in accordance with the terms of the Noteholder Secured Debt Documents and applicable law; provided, however, that in the event that the Collateral Trustee or any holder of Noteholder Secured Obligations becomes a judgment Lien creditor in respect of ABL First Lien Collateral as a result of its enforcement of such rights as an unsecured creditor with respect to the Noteholder Secured Obligations, as applicable, such

judgment Lien shall be subject to the terms of this Agreement for all purposes (including in relation to the ABL Debt Obligations) as the other Liens securing the Noteholder Secured Obligations are subject to this Agreement.

3.2 Exercise of Remedies – Restrictions on the ABL Collateral Agent and the ABL Debtholders.

- (a) Until the Discharge of Capped Secured Obligations, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor, neither the ABL Collateral Agent nor any ABL Debtholder will:
 - (i) exercise or seek to exercise any rights or remedies with respect to any Notes First Lien Collateral (including the exercise of any right of setoff or any right under any lockbox, pledged or blocked account agreement, securities account control agreement, armored car agreement, credit card processing agreement or any similar agreement among the ABL Collateral Agent and Catalyst or a Guarantor and the relevant service provider, depository or securities intermediary, landlord waiver or bailee's letter or similar arrangement to which the ABL Collateral Agent or any ABL Debtholder is a beneficiary of or a party to in each case to the extent any of the foregoing constitute Notes First Lien Collateral) or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure), until after the passage of the ABL Collateral Agent Standstill Period;
 - (ii) contest, protest or object to any foreclosure proceeding or action in respect of Notes First Lien Collateral brought by the Collateral Trustee or any Noteholder (other than a holder of Junior Noteholder Secured Obligations or anyone acting on its behalf) or any other exercise by such Persons of any rights and remedies relating to the Notes First Lien Collateral, whether under the Noteholder Secured Debt Documents or otherwise; or
 - (iii) object to the forbearance by the Collateral Trustee or any Noteholder (other than a holder of Junior Noteholder Secured Obligations or anyone acting on its behalf) from bringing or pursuing any Enforcement against the Notes First Lien Collateral.
- (b) Until the Discharge of Capped Secured Obligations (whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor), the Collateral Trustee and the Noteholders will have the exclusive right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and, in connection therewith (including voluntary dispositions of Notes First Lien Collateral by Catalyst or the respective Guarantors after a Noteholder Priority Lien Default), make determinations regarding the release, disposition, or restrictions with respect to the Notes First Lien Collateral, without any consultation with or the consent of the ABL Collateral Agent or any holder of ABL Debt Obligations, provided that the Liens securing the ABL Debt Obligations shall remain on and attach to the proceeds

(other than those properly applied to the Noteholder Secured Obligations to the extent of the First Lien Secured Obligations Cap) of such Collateral released or disposed of subject to the relative priorities described in this Agreement.

- (c) Notwithstanding the preceding paragraphs (a) and (b), the ABL Collateral Agent and any ABL Debtholder may:
- (i) file and prosecute a claim or statement of interest with respect to the ABL Debt Obligations in any case or proceeding referred to in clause (a) of the definition "Insolvency or Liquidation Proceeding" that has been commenced by or against Catalyst or a Guarantor;
 - (ii) take any action (not adverse to the priority status of the Liens on the Notes First Lien Collateral, or the rights of the Collateral Trustee or any Noteholder (excluding the holders of Junior Noteholders Secured Obligations)) to exercise remedies in respect thereof in order to create, perfect, preserve or protect its Lien on any of the Collateral;
 - (iii) file any necessary or appropriate responsive or defensive pleadings in opposition to any motion, claim, or other pleading objecting to or otherwise seeking the disallowance of the claims of the ABL Debtholders, if any, in either case not inconsistent with the terms of this Agreement;
 - (iv) file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of Catalyst or the Guarantors arising under either any case or proceeding referred to in clause (a) of the definition of "Insolvency or Liquidation Proceeding" or applicable non-bankruptcy law;
 - (v) vote in favour of or against any plan of reorganization, compromise or arrangement or file any proof of claim, make other filings and/or make any arguments and motions with respect to the ABL Debt Obligations, that are, in each case, not inconsistent with the terms of this Agreement, including commencing any case or proceeding referred to in clause (a) of the definition "Insolvency or Liquidation Proceeding";
 - (vi) exercise any of its rights or remedies with respect to any of the Notes First Lien Collateral after the termination of the ABL Collateral Trustee Standstill Period; or
 - (vii) make a cash bid on all or any portion of the Notes First Lien Collateral in any foreclosure proceeding or action.

The ABL Collateral Agent, on behalf of itself and each ABL Debtholder, agrees that it will not take or receive any Notes First Lien Collateral or any proceeds of such Notes First Lien Collateral in connection with the exercise of any right or remedy (including set-off) with respect to any such Notes First Lien Collateral in its capacity as a creditor in violation of this Agreement. Unless and until the Discharge of Capped Secured Obligations, except as expressly provided in

Section 3.2(c) and Section 6.2, the sole right of the ABL Collateral Agent and the ABL Debtholders with respect to the Notes First Lien Collateral is to hold a Lien (if any) on such Collateral pursuant to the respective ABL Documents for the period and to the extent granted therein and to receive a share of the proceeds thereof, if any, after the Discharge of Capped Secured Obligations.

- (d) Subject to Section 6.2, the ABL Collateral Agent, on behalf of itself and the ABL Debtholders:
- (i) agrees that such Persons will not take any action that would hinder any exercise of remedies under the Noteholder Secured Debt Documents (other than an exercise by or on behalf of the holders of Junior Secured Obligations) or that is otherwise prohibited under this Agreement, including any Disposition whether by foreclosure or otherwise of the Notes First Lien Collateral;
 - (ii) agrees to waive any and all rights such Persons may have as a junior lien creditor to object to the manner in which the Collateral Trustee or the Noteholders seek to enforce or collect the Noteholder Secured Obligations or the Liens securing the Noteholder Secured Obligations granted in any of the Noteholder Secured Debt Documents and undertaken in accordance with this Agreement, regardless of whether any action or failure to act by or on behalf of the Collateral Trustee or the Noteholders is adverse to the interest of the ABL Debtholders, provided that this waiver shall not apply to enforcement by or on behalf of the holders of Junior Noteholder Secured Obligations; and
 - (iii) acknowledges that no covenant, agreement or restriction contained in any ABL Debt Document (other than this Agreement) shall be deemed to restrict in any way the rights and remedies of the Collateral Trustee or the Noteholders with respect to the enforcement of the Liens on the Notes First Lien Collateral as set forth in this Agreement and the Noteholder Secured Debt Documents, provided that this acknowledgement shall not apply to any covenant, agreement or restriction relating solely to the holders of Junior Noteholder Secured Obligations.
- (e) Except as otherwise set forth under Section 3.2(a), the ABL Collateral Agent and the ABL Debtholders may exercise rights and remedies as unsecured creditors against Catalyst or any Guarantor that has guaranteed or granted Liens to secure the ABL Debt Obligations and the ABL Collateral Agent may exercise rights and remedies with respect to the ABL First Lien Collateral in accordance with the terms of the ABL Debt Documents and applicable law; provided, however, that in the event that the ABL Collateral Agent or any holder of ABL Debt Obligations becomes a judgment Lien creditor in respect of Notes First Lien Collateral as a result of its enforcement of such rights as an unsecured creditor with respect to the ABL Debt Obligations, such judgment Lien shall be subject to the terms of this Agreement for all purposes (including in relation to the Noteholder Secured

Obligations) as the other Liens securing the ABL Debt Obligations are subject to this Agreement.

3.3 Exercise of Remedies – Collateral Access Rights.

- (a) The ABL Collateral Agent may, following a period of not less than 2 Business Days from the date on which the Collateral Trustee receives an Enforcement Notice from the ABL Collateral Agent, and subject to the rights of applicable landlords, occupy and use the Notes First Lien Collateral without force or process of law, consisting of or located within each of Catalyst's or a Guarantor's manufacturing facilities that form part of the Notes First Lien Collateral and each of Catalyst's or a Guarantor's warehouse, distribution and office facilities, in each case for up to one hundred and fifty (150) days from the Commencement Date (as defined below) (the "Liquidation Period") following the earliest to occur of: (i) the commencement of an Enforcement by the ABL Collateral Agent in respect of the ABL First Lien Collateral; (ii) receipt by the ABL Collateral Agent of an Enforcement Notice from the Collateral Trustee; and (iii) the expiration of any period during which the ABL Collateral Agent is precluded by statute or stayed or enjoined from taking one or more Enforcement actions in respect of the ABL First Lien Collateral (the date on which the earliest of an event described in clauses (i), (ii) or (iii) inclusive above occurs being the "Commencement Date"). Notwithstanding the foregoing, the Liquidation Period shall be extended by the number of days during which the ABL Collateral Agent is precluded by statute or stayed or enjoined from taking any Enforcement actions in respect of the ABL First Lien Collateral in the event such stay, injunction or statutory preclusion comes into effect after the occurrence of either event in clause (i) or (ii) in the definition of "Commencement Date".
- (b) The ABL Collateral Agent shall give written notice of its intent to exercise its rights under Section 3.3(a) to the Collateral Trustee as promptly as possible upon the commencement of the Liquidation Period, and upon receipt of such notice by the Collateral Trustee, the parties shall confer in good faith to coordinate with respect to the ABL Collateral Agent's exercise of such access rights.
- (c) During the Liquidation Period, the ABL Collateral Agent will have non-exclusive access to and use and occupancy of (i) Catalyst's and each Guarantor's manufacturing, warehouse and distribution facilities comprising Notes First Lien Collateral and other Notes First Lien Collateral located therein (and all material handling equipment comprising Notes First Lien Collateral whether or not located therein) and the applicable Offices all as and to the extent necessary to permit the ABL Collateral Agent to convert raw materials, to complete the manufacturing of work in process and to package, ship, sell, liquidate or otherwise dispose of inventory, and (ii) the applicable Offices of Catalyst or a Guarantor, as applicable, and the Notes First Lien Collateral located therein, including, without limitation, computers and computer programs and all other office equipment and supplies, all as and to the extent necessary to permit the ABL Collateral Agent to collect, sell or otherwise dispose of accounts.

- (d) During the Liquidation Period, the ABL Collateral Agent's access to and, use and occupancy of the manufacturing facilities, warehouse and distribution facilities and Offices comprising Notes First Lien Collateral shall not be exclusive and, provided that none of the following interfere in any material respect in connection with the exercise by the ABL Collateral Agent of its rights afforded by this Agreement, including the liquidation, sale or other disposition of the ABL First Lien Collateral by the ABL Collateral Agent or a Receiver:
- (i) the Collateral Trustee shall have access to the manufacturing, warehouse, distribution and offices and Notes First Lien Collateral to preserve, protect, appraise and evaluate the Notes First Lien Collateral, to show the Notes First Lien Collateral to potential purchasers, to offer the Notes First Lien Collateral for sale and to operate the business of Catalyst and the Guarantors; and
 - (ii) the Collateral Trustee may Dispose of some or all of the Notes First Lien Collateral; *provided* to the extent such Notes First Lien Collateral continues to be required for the purposes set out in Section 3.3(a) above that the purchasers of such Notes First Lien Collateral shall have expressly agreed in writing to be bound by the Collateral Trustee's obligations under this Agreement with respect to the purchased Notes First Lien Collateral until the expiration of the Liquidation Period and that to the extent so required as aforesaid, the items purchased shall remain in place and shall remain subject to the rights of use and occupancy of the ABL Collateral Agent set out in Section 3.3(a).
- (e) Catalyst, the Guarantors and the Collateral Trustee will make available to the ABL Collateral Agent at no cost to the ABL Collateral Agent (other than any reasonable costs and expenses incurred by the Collateral Trustee in connection therewith) copies of all books, records, books of account, ledgers, documents, computer disks, printouts, tapes and other computer-prepared information and other information with respect to the ABL First Lien Collateral as may reasonably be necessary to achieve the purposes set forth in this Section 3.3, and the ABL Collateral Agent may make any copies of the foregoing.
- (f) To the extent the ABL Collateral Agent has been granted a license to use any intellectual property of Catalyst or a Guarantor by such party under the terms of the ABL Debt Documents and such intellectual property forms part of the Notes First Lien Collateral, the Collateral Trustee agrees that such license shall continue (notwithstanding any enforcement against the Notes First Lien Collateral by it) for the duration of the Liquidation Period, subject to parallel use of such intellectual property by the Collateral Trustee as may be required in connection with any enforcement against the Notes First Lien Collateral by it.
- (g) The license or lease to use and occupy the Notes First Lien Collateral during the Liquidation Period as described in this Article 3 shall apply to and for the benefit of the ABL Collateral Agent and/or its Receiver, as applicable.

3.4 Obligations During Liquidation Period.

- (a) During the applicable term of the Liquidation Period, the ABL Collateral Agent may use and occupy the Notes Priority Lien Collateral without force or process of law and without any obligation or requirement to pay rents, royalties or other fees to any Noteholders, Catalyst or a Guarantor, except for payment or reimbursement of rents, costs and expenses as set forth in this Agreement. If the ABL Collateral Agent, on behalf of itself and the ABL Debtholders, elects to use some or all of the Notes First Lien Collateral as set forth in Section 3.3(a), to the extent and for so long as the ABL Collateral Agent occupies or uses a manufacturing, warehouse or distribution facility or Office owned or leased by Catalyst or a Guarantor, the ABL Collateral Agent is responsible for all direct and actual expenses related thereto, including costs with respect to heat, light, electricity, water, insurance and real property taxes with respect to that portion of any building so used or occupied and payroll and related expenses for employees whose services are required by the ABL Collateral Agent for such use and operation of such facility or Office. In the case of Notes First Lien Collateral leased to Catalyst or a Guarantor and used or occupied by the ABL Collateral Agent, the ABL Collateral Agent shall assume and be directly responsible for all obligations of the lessee, including without limitation, paying the rental and other payments required to be paid to the lessor, in each case in accordance with the terms of such lease for the period of such use and occupancy of the Notes First Lien Collateral, unless the applicable lessor shall have otherwise agreed.
- (b) The ABL Collateral Agent shall promptly repair, at the ABL Collateral Agent's expense, any physical damage to the Notes First Lien Collateral caused by the ABL Collateral Agent and/or its Receivers or agents, as applicable, during the use or occupancy of the Notes First Lien Collateral by the ABL Collateral Agent, or caused by any sale, removal or other disposition of its ABL First Lien Collateral (ordinary wear and tear excluded), and the Notes First Lien Collateral so used or occupied shall be left by the ABL Collateral Agent and its Receivers and agents in substantially the same state of repair and be in the same working order (ordinary wear and tear excluded), in each case as such existed upon the commencement of the Liquidation Period. The ABL Collateral Agent shall not be liable for any diminution in value of the Notes First Lien Collateral caused by the absence of the ABL First Lien Collateral actually removed or by any necessity of replacing the ABL First Lien Collateral or, subject the preceding sentences of this paragraph, for any other reason.

3.5 Accounts and Cash.

- (a) Any proceeds of Notes First Lien Collateral which Catalyst or a Guarantor is entitled to receive under the Credit Agreement and the Notes Indenture shall be deposited into a Noteholder Proceeds Collateral Account and shall not be deposited into a Blocked Account of Catalyst or a Guarantor, as applicable, that is included as part of the ABL First Lien Collateral. Notwithstanding the foregoing, to the extent any proceeds of Notes First Lien Collateral are deposited into a Blocked Account, the Collateral Trustee, Catalyst or a Guarantor, as applicable, will only be entitled to recover such proceeds of Notes First Lien Collateral from the ABL Collateral Agent and any applicable Blocked Account if (i) after such

cash proceeds are deposited into any such Blocked Account, the ABL Collateral Agent is provided with written notice of the deposit (the "Note Collateral Deposit Notice") providing reasonable particulars thereof (including, without limitation, a reasonable description of the Notes First Lien Collateral so sold) and (ii) prior to its receipt of a Note Collateral Deposit Notice, the ABL Collateral Agent has not applied such proceeds to repayment of the ABL Debt Obligations or otherwise released such proceeds from the applicable Blocked Account.

- (b) To the extent any proceeds of ABL First Lien Collateral are deposited into a Noteholder Proceeds Collateral Account, the ABL Collateral Agent, Catalyst or a Guarantor, as applicable, will only be entitled to recover such proceeds of ABL First Lien Collateral from the Collateral Trustee and any Noteholder Proceeds Collateral Account if (i) after such proceeds are deposited into the Noteholder Proceeds Collateral Account, the Collateral Trustee is provided with written notice of the deposit (the "ABL Collateral Deposit Notice") providing reasonable particulars thereof and (ii) prior to its receipt of the ABL Collateral Deposit Notice, the Collateral Trustee has not applied such proceeds to repayment of the Noteholder Secured Obligations or otherwise released such proceeds from the applicable Noteholder Proceeds Collateral Account.
- (c) For greater certainty:
 - (i) any proceeds of Notes First Lien Collateral received by the ABL Collateral Agent and that are held by the ABL Collateral Agent in violation of the preceding paragraphs shall be held by the ABL Collateral Agent as agent for the Collateral Trustee, and shall be deposited by the ABL Collateral Agent in a Noteholder Proceeds Collateral Account upon the instructions of the Collateral Trustee, and may be used, applied and otherwise dealt with by the Collateral Trustee, Catalyst or the applicable Guarantor, as applicable, to the extent permitted by the Notes Indenture (any such proceeds which may be so used, applied or otherwise dealt with being referred to as "Note Collateral Proceeds");
 - (ii) any proceeds of ABL First Lien Collateral received by the Collateral Trustee and that are held by the Collateral Trustee in violation of the preceding paragraphs shall be held by the Collateral Trustee as agent for the ABL Collateral Agent, and shall be deposited by the Collateral Trustee into a Blocked Account upon the instructions of the ABL Collateral Agent, and may be used, applied and otherwise dealt with by the ABL Collateral Agent, Catalyst or the applicable Guarantor, as applicable, to the extent permitted by the ABL Debt Documents;
 - (iii) subject to the priorities set forth in this Agreement, to the extent any Note Collateral Proceeds are used or applied to (i) pay or repay any indebtedness or obligations owing by Catalyst or a Guarantor, as applicable, including, without limitation, all or any portion of the Noteholder Secured Obligations as permitted by and in accordance with the ABL Debt Documents, the Noteholder Secured Debt Documents and

this Agreement, the amounts so paid or repaid shall be received by the applicable Persons entitled thereto free and clear of any Liens created under the ABL Debt Documents or (b) purchase any property or assets, including, without limitation, any notes issued by Catalyst under the Notes Indenture, the indenture governing the 7 3/8% Senior Notes due March 1, 2014, and the indenture governing the 8 5/8% Senior Notes due 2011, provided such purchase is permitted by the ABL Debt Documents and the Noteholder Secured Debt Documents: (A) the purchase price shall be received by the vendor of the applicable property or assets; and (B) except to the extent any property or assets so acquired would themselves constitute Collateral, the property or assets so acquired shall be acquired by Catalyst or the Guarantor, as applicable, in each case in (A) and (B) above, free and clear of any Liens created under the ABL Debt Documents; and

- (iv) nothing in this section is intended to affect the obligation of Catalyst or a Guarantor to (i) deposit proceeds of Notes First Lien Collateral into a Noteholder Proceeds Collateral Account or to make an offer to repay the notes when required under the terms of the Notes Indenture or (ii) deposit proceeds of ABL First Lien Collateral or Excluded Assets into a Blocked Account or repay the ABL Debt Obligations when required under the ABL Debt Documents.

IV. PAYMENTS.

4.1 Application of Proceeds.

- (a) Subject to Section 6.4, so long as the Discharge of ABL Debt Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor, all ABL First Lien Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies by the ABL Collateral Agent or the ABL Debtholders or the Collateral Trustee or the Noteholders shall be delivered to the ABL Collateral Agent and applied by the ABL Collateral Agent to the ABL Debt Obligations in such order as specified in the relevant ABL Debt Documents. Upon the Discharge of ABL Debt Obligations, the ABL Collateral Agent will deliver to the Collateral Trustee any ABL First Lien Collateral and proceeds thereof held by it or as a court of competent jurisdiction may otherwise direct to be applied by the Collateral Trustee in such order as specified in the Noteholder Secured Debt Documents.
- (b) Subject to Section 6.4, so long as the Discharge of Capped Secured Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor, all Notes First Lien Collateral or proceeds thereof received in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies by the Collateral Trustee or the Noteholders or the ABL Collateral Agent or the ABL Debtholders shall be delivered to the Collateral Trustee and applied by the

Collateral Trustee to the Noteholder Secured Obligations in such order as specified in the relevant Noteholder Secured Debt Documents and the Collateral Trust Agreement. Upon the Discharge of Capped Secured Obligations, the Collateral Trustee will deliver to the ABL Collateral Agent any Notes First Lien Collateral and proceeds thereof held by it or as a court of competent jurisdiction may otherwise direct to be applied by the ABL Collateral Agent in such order as specified in the ABL Debt Documents, and thereafter upon a Discharge of ABL Debt Obligations the ABL Collateral Agent will deliver to the Collateral Trustee any Notes First Lien Collateral and proceeds thereof held by it or as a court of competent jurisdiction may otherwise direct to be applied by the Collateral Trustee to the Junior Noteholder Secured Obligations.

4.2 Payments Over in Violation of Agreement.

Whether or not any Insolvency or Liquidation Proceeding has been commenced by or against Catalyst or any Guarantor, any Collateral or proceeds thereof received by any holder of ABL Debt Obligations or Noteholder Secured Obligations in connection with the exercise of any right or remedy (including set-off) relating to the Collateral in contravention of this Agreement shall be segregated and held in trust for and forthwith paid over to the ABL Collateral Agent or the Collateral Trustee, as appropriate, in the same form as received, with any necessary endorsements, or as a court of competent jurisdiction may otherwise direct. The Collateral Trustee and the ABL Collateral Agent will each be irrevocably authorized to make any such endorsements as agent for the other Person.

V. OTHER AGREEMENTS.

5.1 Releases.

- (a) If, in connection with the exercise of any of the ABL Collateral Agent's rights and remedies in respect of any Enforcement on Collateral as provided for in Section 3.1, the ABL Collateral Agent, for itself and/or on behalf of any ABL Debtholder, releases its Liens on any part of the ABL First Lien Collateral, then the Liens, if any, of the Collateral Trustee and the Noteholders on the ABL First Lien Collateral Disposed of in connection with such exercise, shall be automatically, unconditionally and simultaneously released to the same extent whether or not a Noteholder Secured Default is then continuing.
- (b) If, in connection with the exercise of any of the Collateral Trustee's rights and remedies in respect of any Enforcement on Collateral as provided in Section 3.2, the Collateral Trustee, for itself and/or on behalf of any Noteholder, releases its Liens on any part of the Notes First Lien Collateral, then the Liens, if any, of the ABL Collateral Agent and the ABL Debtholders on the Notes First Lien Collateral Disposed of in connection with such exercise, shall be automatically, unconditionally and simultaneously released to the same extent whether or not an ABL Default is then continuing, provided, that this provision will not apply to a release of any Liens on any part of the Notes Priority Lien Collateral by or on behalf of the holders of Junior Noteholder Secured Obligations.

- (c) If, in connection with any Disposition of any Collateral permitted under the terms of the ABL Debt Documents and the Noteholder Secured Debt Documents (including voluntary Dispositions of ABL First Lien Collateral by Catalyst or the respective Guarantors after an ABL Default or voluntary Dispositions of Notes First Lien Collateral by Catalyst or the respective Guarantors after a Noteholder Priority Lien Default or a Noteholder Subordinated Lien Default):

- (i) the ABL Collateral Agent, for itself and/or on behalf of any ABL Debtholder, releases any of its Liens on any part of the ABL First Lien Collateral (in each case other than after the occurrence and during the continuance of a Noteholder Priority Lien Default or a Noteholder Subordinated Lien Default or a "default" under the Noteholder Secured Debt Documents) then the Liens, if any, of the Collateral Trustee, for itself and/or on behalf of any of the Noteholders secured by such ABL First Lien Collateral shall be automatically, unconditionally and simultaneously released; and
- (ii) the Collateral Trustee, for itself and/or on behalf of any Noteholder, releases any of its Liens on any part of the Notes First Lien Collateral (in each case other than after the occurrence and during the continuance of an ABL Default or a "default" under the ABL Debt Documents) then the Liens, if any, of the ABL Collateral Agent, for itself and/or on behalf of any ABL Debtholder secured by such Notes First Lien Collateral shall be automatically, unconditionally and simultaneously released; provided, that this provision will not apply to a release of any Liens on any part of the Notes First Lien Collateral by or on behalf of the holders of Junior Secured Obligations.

5.2 Insurance.

Subject to the rights of Catalyst and the Guarantors under the ABL Debt Documents and the Noteholder Secured Debt Documents:

- (a) unless and until the Discharge of ABL Debt Obligations has occurred, the ABL Collateral Agent and the ABL Debtholders shall have the sole and exclusive right to adjust settlement for any insurance policy covering the ABL First Lien Collateral or the Liens with respect thereto, in the event of any loss thereunder or with respect thereto and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting such ABL First Lien Collateral;
- (b) unless and until the Discharge of the Capped Secured Obligations has occurred, the Collateral Trustee and the Noteholders shall have the sole and exclusive right to adjust settlement for any insurance policy covering the Notes First Lien Collateral or the Liens with respect thereto, in the event of any loss thereunder or with respect thereto and to approve any award granted in any condemnation or similar proceeding (or any deed in lieu of condemnation) affecting such Notes First Lien Collateral;

- (c) all proceeds of any insurance policy or award (or any payments with respect to a deed in lieu of condemnation):
- (i) to the extent relating to ABL First Lien Collateral and required by the ABL Debt Documents, shall be paid to the ABL Collateral Agent for the benefit of the ABL Debtholders pursuant to the terms of the ABL Debt Documents (including, without limitation, for purposes of cash collateralization of letters of credit) and following the Discharge of ABL Debt Obligations, and subject to the terms of, and the rights of Catalyst and the Guarantors under the Noteholder Secured Debt Documents, to the Collateral Trustee for the benefit of the Noteholders to the extent required under the Noteholder Secured Debt Documents and following the Discharge of Noteholder Secured Obligations, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct; and
 - (ii) to the extent relating to Notes First Lien Collateral and required by the Noteholder Secured Debt Documents, shall be paid to the Collateral Trustee for the benefit of the Noteholders pursuant to the terms of the Noteholder Secured Debt Documents (including, without limitation, for purposes of cash collateralization of letters of credit) and thereafter, following the Discharge of Capped Secured Obligations, and subject to the terms of, and the rights of Catalyst and the Guarantors under, the ABL Debt Documents, to the ABL Collateral Agent for the benefit of the ABL Debtholders, to the extent required under the ABL Debt Documents, and thereafter, following the Discharge of ABL Debt Obligations and subject to payment of any Junior Noteholder Secured Obligations, to the owner of the subject property, such other Person as may be entitled thereto or as a court of competent jurisdiction may otherwise direct; and .
- (d) The ABL Collateral Agent and Collateral Trustee shall each receive separate lender's loss payable endorsements naming themselves as loss payee and additional insured, as their interests may appear, with respect to policies which insure the Collateral and to the extent any proceeds are received and those proceeds are compensation for a casualty loss with respect to (i) the ABL Priority Lien Collateral, such proceeds shall (subject to the rights of Catalyst and the Guarantors) first be applied to repay the ABL Debt Obligations and then be applied, to the extent required by the Noteholder Secured Debt Documents, to the Noteholder Secured Obligations and (ii) the Notes Priority Lien Collateral, such proceeds shall (subject to the rights of Catalyst and the Guarantors) first be applied to repay the Noteholder Secured Obligations (excluding any Junior Noteholder Secured Obligations), and then be applied, to the extent required by the ABL Debt Documents, to the ABL Debt Obligations, and then be applied, to the extent required by the Noteholder Secured Debt Documents, to the Junior Noteholder Secured Obligations.

5.3 Amendments to Documents.

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- (a) The Noteholder Secured Debt Documents shall not be amended, modified, supplemented or waived to:
- (i) ~~move forward the final maturity date of any Noteholder Secured Obligations or create scheduled dates of principal payments on any Noteholder Secured Obligations prior to their final maturity date (which for greater certainty will not affect any mandatory repayment requirement or optional redemption of any Noteholder Secured Obligations); or~~
 - (ii) impose additional restrictions on the ability of Catalyst and/or the Guarantors to incur ABL Debt or grant Liens to secure the ABL Debt Obligations (other than those in effect on the date hereof);
- (b) The ABL Debt Documents shall not be amended, modified, supplemented or waived to impose additional restrictions on the ability of Catalyst and/or the Guarantors to make mandatory or scheduled payments on any Noteholder Secured Obligations (other than those in effect on Closing and described in the ABL Credit Facility provided to the Collateral Trustee) or grant Liens to secure the Noteholder Secured Obligations (other than those in effect on Closing and described in the ABL Credit Facility provided to the Collateral Trustee).
- (c) For the sake of clarity, any restrictions in any ABL Debt Document on Catalyst or any Guarantors to make payments on the Noteholder Secured Obligations shall not have any effect on the rights and remedies of the Noteholders as against Catalyst, the Guarantors or the Notes First Lien Collateral, including without limitation during any Insolvency or Liquidation Proceeding.
- (d) The ABL Collateral Agent and the Collateral Trustee shall each use its commercially reasonable best efforts to notify the other parties of any written amendment or modification to any ABL Debt Document or any Noteholder Secured Debt Document, as applicable, but the failure to do so shall not create a cause of action against the party failing to give such notice or create any claim or right on behalf of any third party. In connection with amendments or modifications permitted by this Section 5.3, the ABL Collateral Agent and the Collateral Trustee, as applicable, shall, upon request of the other party, provide copies of all such modifications or amendments and copies of all other relevant documentation to the other Persons.

5.4 Bailees for Perfection.

- (a) Each of the ABL Collateral Agent and the Collateral Trustee:
- (i) agrees to hold that part of the Collateral that is in its (or its agents' or bailees') possession or control to the extent that possession or control thereof is taken to perfect a Lien thereon under the UCC or the PPSA (such Collateral being the "Pledged Collateral") as collateral agent for (a) with respect to the ABL Collateral Agent, the Noteholders and as bailee for the Collateral Trustee and any assignee solely for the purpose of perfecting the security interest granted under the Noteholder Secured Debt

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Documents, or (b) with respect to the Collateral Trustee, the ABL Debtholders and as bailee for the ABL Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted under the ABL Debt Documents; subject to the terms and conditions under this Section 5.4;

- (ii) has no obligation whatsoever to any other Person to ensure that the Pledged Collateral is genuine or owned by Catalyst or any of the Guarantors or to preserve rights or benefits of any Person except as expressly set forth in this Section 5.4;
 - (iii) has no fiduciary relationship with any other Person with respect to such acts; and
 - (iv) (a) with respect to the ABL Collateral Agent, upon the Discharge of ABL Debt Obligations, shall deliver the remaining Pledged Collateral (if any) together with any necessary endorsements, first, to the Collateral Trustee to the extent the Noteholder Secured Obligations which are secured by such Pledged Collateral remain outstanding, and second, to Catalyst or the applicable Guarantor; and (b) with respect to the Collateral Trustee, upon the Discharge of Capped Secured Obligations, shall deliver the remaining Pledged Collateral (if any) together with any necessary endorsements, first, to the ABL Collateral Agent to the extent the ABL Debt Obligations which are secured by such Pledged Collateral remain outstanding, and second, back to the Collateral Trustee to the extent any Junior Noteholder Secured Obligations which are secured by such Pledged Collateral remain outstanding, and thereafter to Catalyst or the applicable Guarantor.
- (b) The duties or responsibilities of the ABL Collateral Agent and the Collateral Trustee described under this Section 5.4 are limited solely to holding the Pledged Collateral as bailee in accordance therewith and delivering the Pledged Collateral upon either a Discharge of ABL Debt Obligations or a Discharge of Capped Secured Obligations pursuant to and as provided in the paragraph above, so that, subject to the terms of this Agreement, (1) until a Discharge of ABL Debt Obligations, the ABL Collateral Agent is entitled to deal with the Pledged Collateral or ABL First Lien Collateral within its "control" in accordance with the terms of this Agreement and other ABL Debt Documents as if the Liens (if any) of the Collateral Trustee thereon did not exist and (2) until a Discharge of Capped Secured Obligations, the Collateral Trustee is entitled to deal with the Pledged Collateral or Notes First Lien Collateral within its "control" in accordance with the terms of this Agreement and other Noteholder Secured Debt Documents as if the Liens (if any) of the ABL Collateral Agent thereon did not exist.

5.5 Additional Secured Debt.

Catalyst and the Guarantors will be permitted to designate as an additional holder of Noteholder Secured Debt Obligations each Person who is, or who becomes or who is to become, the registered holder of Noteholder Secured Obligations, including without limitation the registered holder of Junior Noteholder Secured Obligations incurred by Catalyst and the Guarantors, after

the date of this Agreement in accordance with the terms of all applicable Noteholder Secured Debt Documents and the Collateral Trust Agreement (including, without limitation, Section 3.8 of the Collateral Trust Agreement). Catalyst and the Guarantors may effect such designation by delivering to the ABL Collateral Agent and the Collateral Trustee an Officers' Certificate stating that Catalyst and the Guarantors intends to incur additional Noteholder Secured Debt Obligations permitted by the terms of the Noteholder Secured Debt Documents and the ABL Debt Documents, and whether such Obligations are Junior Noteholder Secured Obligations. Notwithstanding the foregoing, nothing in this Agreement will be construed to allow Catalyst or any Guarantor to incur additional indebtedness unless otherwise permitted by the terms of each applicable Noteholder Secured Debt Document and ABL Debt Document.

5.6 Discharge of Obligations.

The ABL Collateral Agent shall use its commercially reasonable best efforts to notify the Collateral Trustee of the Discharge of ABL Debt Obligations, and the Collateral Trustee shall use its commercially reasonable best efforts to notify the ABL Collateral Agent of the Discharge of Capped Secured Obligations, *provided*, that the failure to do so shall not create a cause of action against the party failing to give such notice or create any claim or right on behalf of any third party.

VI. INSOLVENCY OR LIQUIDATION PROCEEDINGS.

6.1 Finance and Sale Issues.

- (a) If Catalyst or any Guarantor shall be subject to any Insolvency or Liquidation Proceeding and either:
 - (i) prior to the Discharge of ABL Debt Obligations, the ABL Collateral Agent agrees to permit (x) the use of "cash collateral" (as such term is defined in Section 363(a) of the Bankruptcy Code or its equivalent under any similar Bankruptcy Law or under any other power exercisable by a Bankruptcy Court) constituting ABL First Lien Collateral, or (y) Catalyst or any Guarantor to obtain financing (a "DIP Financing"), whether from the ABL Debtholders or any other Person under Section 364 of the Bankruptcy Code or under any other power exercisable by a Bankruptcy Court, to be secured by all or any portion of the ABL First Lien Collateral whether in priority to, subordinate to or ranking equally with the Lien of the ABL Debtholders; or
 - (ii) prior to the Discharge of Noteholder Secured Obligations, the Collateral Trustee agrees to permit (x) the use of "cash collateral" (as such term is defined in Section 363(a) of the Bankruptcy Code or its equivalent under any similar Bankruptcy Law or under any other power exercisable by a Bankruptcy Court) constituting Notes First Lien Collateral or (y) Catalyst or any Guarantor to obtain DIP Financing, whether from the Noteholders or any other Person under Section 364 of the Bankruptcy Code or under any other power exercisable by a Bankruptcy Court, to be secured by all or any portion of the Notes First Lien Collateral whether in priority to, subordinate to or ranking equally with the Lien of the Noteholders;

then, in the case of either clause (i) or (ii) above, each of the ABL Collateral Agent, the ABL Debtholders, the Collateral Trustee and the Noteholders, in each case as a holder of a secured claim (or representative thereof) in an Insolvency or Liquidation Proceeding, agrees that it will raise no objection to or contest such use of cash collateral or DIP Financing so long as the ABL Debtholders or Noteholders, as applicable, retain the right to object to any ancillary agreements or arrangements regarding such use of cash collateral or the DIP Financing that are materially prejudicial to their perfected interests in the ABL First Lien Collateral or Notes First Lien Collateral, as applicable.

- (b) To the extent the Liens securing the ABL Debt Obligations are subordinated to or *pari passu* with such DIP Financing incurred in accordance with the requirements of clause (a)(i) above, the Collateral Trustee agrees (a) to subordinate any Liens securing the Noteholder Secured Obligations on the ABL First Lien Collateral to the Liens securing such DIP Financing (and all obligations relating thereto) to the same extent (including subordinating such liens to any carve-out for administrative expenses) and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed by the ABL Collateral Agent or to the extent permitted by terms of this Agreement), and (b) to permit a sale of the ABL First Lien Collateral free and clear of Liens or other claims of the Noteholders, under Section 363 of the Bankruptcy Code or under any other power exercisable by a Bankruptcy Court, or under its equivalent under any similar Bankruptcy Law or otherwise, and each Noteholder agrees that it will not raise any objection to or contest such sale or request adequate protection or any other relief in connection therewith (it being understood that the Noteholders will still, but subject to this Agreement, have rights with respect to the proceeds of such ABL First Lien Collateral).
- (c) To the extent the Liens securing the Noteholder Secured Obligations are subordinated to or *pari passu* with such DIP Financing incurred in accordance with the requirements of clause (a)(ii) above, the ABL Collateral Agent agrees (a) to subordinate any Liens securing the ABL Debt Obligations on the Notes First Lien Collateral to the Liens securing such DIP Financing (and all obligations relating thereto) to the same extent (including subordinating such liens to any carve-out for administrative expenses) and will not request adequate protection or any other relief in connection therewith (except, as expressly agreed by the Collateral Trustee or to the extent permitted by terms of this Agreement), and (b) to permit a sale of the Notes First Lien Collateral, free and clear of Liens or other claims of the ABL Debtholders, under Section 363 of the Bankruptcy Code or under any other power exercisable by a Bankruptcy Court or under its equivalent under any similar Bankruptcy Law or otherwise, and each ABL Debtholder agrees that it will not raise any objection to or contest such sale or request adequate protection or any other relief in connection therewith (it being understood that the ABL Debtholders will still, but subject to this Agreement, have rights with respect to the proceeds of such Notes First Lien Collateral).
- (d) Until the Discharge of ABL Debt Obligations has occurred, the Collateral Trustee on behalf of itself and each Noteholder agrees not to seek (or support any other

Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the ABL First Lien Collateral, without the prior written consent of the ABL Collateral Agent. Until the Discharge of Capped Secured Obligations has occurred, the ABL Collateral Agent, on behalf of itself and each ABL Debtholder, agrees not to seek (or support any other Person seeking) relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Notes First Lien Collateral (other than to the extent such relief is required to exercise its rights under Section 3.3), without the prior written consent of the Collateral Trustee.

6.2 Adequate Protection.

- (a) The Collateral Trustee, acting on behalf of itself and each Noteholder, agrees not to contest (or support any other Person contesting):
 - (i) any request by the ABL Collateral Agent or any ABL Debtholder for adequate protection with respect to the ABL First Lien Collateral; or
 - (ii) any objection by the ABL Collateral Agent or any ABL Debtholder to any motion, relief, action or proceeding based on the ABL Collateral Agent or the ABL Debtholders claiming a lack of adequate protection with respect to the ABL First Lien Collateral.
- (b) The ABL Collateral Agent, acting on behalf of itself and each ABL Debtholder, agrees not to contest (or support any other Person contesting):
 - (i) any request by the Collateral Trustee or any Noteholder for adequate protection with respect to the Notes First Lien Collateral; or
 - (ii) any objection by the Collateral Trustee or any Noteholder to any motion, relief, action or proceeding based on the Collateral Trustee or the Noteholders claiming a lack of adequate protection with respect to the Notes First Lien Collateral.
- (c) Notwithstanding clauses (a) and (b) above, in any Insolvency or Liquidation Proceeding,
 - (i) if the ABL Debtholders (or any subset thereof) are granted adequate protection in the form of additional collateral (that is of a type which would otherwise have constituted ABL First Lien Collateral) in connection with any use of cash collateral or DIP Financing, then the Collateral Trustee, on behalf of itself or any of the Noteholders, may seek or request adequate protection with respect to its interests in such Collateral in the form of a Lien on the same additional collateral, which Lien is subordinated (except to the extent that the Collateral Trustee already had a Lien on such Collateral (in which case the priorities set forth in this Agreement shall apply)) to the Liens securing the ABL Debt Obligations and such use of cash collateral or DIP Financing (and all

obligations relating thereto) on the same basis as the other Liens of the Collateral Trustee on the ABL First Lien Collateral; and

- (ii) if the Noteholders (or any subset thereof) are granted adequate protection in the form of additional collateral (that is of a type which would otherwise have constituted Notes First Lien Collateral) in connection with any use of cash collateral or DIP Financing, then the ABL Collateral Agent, on behalf of itself or any of the ABL Debtholders, may seek or request adequate protection with respect to its interests in such Collateral in the form of a Lien on the same additional collateral, which Lien is subordinated (except to the extent that the ABL Collateral Agent already had a Lien on such Collateral (in which case the priorities set forth in this Agreement shall apply)) to the Liens securing the Noteholder Secured Obligations and such use of cash collateral or DIP Financing (and all obligations relating thereto) on the same basis as the other Liens of the ABL Collateral Agent on the Notes First Lien Collateral.
- (d) Neither the Collateral Trustee nor any Noteholder will file or prosecute in any Insolvency or Liquidation Proceeding any motion for adequate protection (or any comparable request for relief) based upon their interest in the ABL First Lien Collateral, except that they may freely seek and obtain relief granting a junior Lien co-extensive with, but subordinated to, all Liens granted in the Insolvency or Liquidation Proceeding to, or for the benefit of, the ABL Debtholders, as set forth in clause (c)(i) above.
- (e) Neither the ABL Collateral Agent nor any ABL Debtholder will file or prosecute in any Insolvency or Liquidation Proceeding any motion for adequate protection (or any comparable request for relief) based upon their interest in the Notes First Lien Collateral, except that they may freely seek and obtain relief granting a junior Lien co-extensive with, but subordinated to, all Liens granted in the Insolvency or Liquidation Proceeding to, or for the benefit of, the Noteholders, as set forth in clause (c)(ii) above.

6.3 Reinstatement of this Agreement.

If any ABL Debtholder or Noteholder is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of Catalyst or any Guarantor any amount paid in respect of ABL Debt Obligations or Noteholder Secured Obligations, as the case may be (a "Recovery"), then such Person shall be entitled to a reinstatement of ABL Debt Obligations or Noteholder Secured Obligations, as the case may be, with respect to all such recovered amounts and, if this Agreement has been terminated prior to such Recovery, it shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties to this Agreement from such date of reinstatement.

6.4 Reorganization Securities.

- (a) If, in any Insolvency or Liquidation Proceeding:

- (i) the Noteholders receive pursuant to a plan of reorganization, compromise or arrangement or similar dispositive restructuring plan a distribution of debt obligations ("**Junior Lien Reorganization Securities**") in whole or in part on account of their junior Liens on the ABL First Lien Collateral (such Collateral for purposes of this clause (a), the "**Applicable ABL Junior Collateral**") that are secured by Liens on such Applicable ABL Junior Collateral, and
- (ii) the ABL Debtholders receive pursuant to such plan of reorganization, compromise or arrangement or similar dispositive restructuring plan a distribution of debt obligations ("**Senior Lien Reorganization Securities**") in whole or in part on account of their ABL Debt Obligations that are secured by Liens on such Applicable ABL Junior Collateral;

then the Noteholders shall be entitled to retain their Junior Lien Reorganization Securities and shall not be obligated to turnover the same to any or all of the ABL Debtholders, and, to the extent the Junior Lien Reorganization Securities and the Senior Lien Reorganization Securities are secured by Liens upon the same Applicable ABL Junior Collateral, the provisions of this Agreement shall survive the distribution of such Junior Lien Reorganization Securities and Senior Lien Reorganization Securities and will apply with like effect to the Junior Lien Reorganization Securities and Senior Lien Reorganization Securities, to such Liens securing such Junior Lien Reorganization Securities and Senior Lien Reorganization Securities and to the distribution of proceeds of such Applicable ABL Junior Collateral.

(b) If, in any Insolvency or Liquidation Proceeding:

- (i) the ABL Debtholders receive pursuant to a plan of reorganization, compromise or arrangement or similar dispositive restructuring plan a distribution of Junior Lien Reorganization Securities in whole or in part on account of their junior Liens on the Notes First Lien Collateral (such Collateral for purposes of this clause (b), the "**Applicable Notes Junior Collateral**") that are secured by Liens on such Applicable Notes Junior Collateral, and
- (ii) the Noteholders receive pursuant to such plan of reorganization, compromise or arrangement or similar dispositive restructuring plan a distribution of Senior Lien Reorganization Securities in whole or in part on account of their Noteholder Secured Obligations that are secured by Liens on such Applicable Notes Junior Collateral;

then the ABL Debtholders shall be entitled to retain their Junior Lien Reorganization Securities and shall not be obligated to turnover the same to any or all of the Noteholders, and, to the extent the Junior Lien Reorganization Securities and the Senior Lien Reorganization Securities are secured by Liens upon the same Applicable Notes Junior Collateral, the provisions of this Agreement will survive the distribution of such Junior Lien Reorganization Securities and Senior Lien Reorganization Securities and will apply with like

effect to the Junior Lien Reorganization Securities and Senior Lien Reorganization Securities, to such Liens securing such Junior Lien Reorganization Securities and Senior Lien Reorganization Securities and to the distribution of proceeds of such Applicable Notes Junior Collateral.

6.5 Separate Grants of Security and Separate Classifications.

- (a) The ABL Collateral Agent, on behalf of itself and the ABL Debtholders, and the Collateral Trustee, on behalf of itself and the Noteholders, acknowledge and agree that (i) the grants of Liens pursuant to the ABL Debt Documents and the Noteholder Secured Debt Documents constitute separate and distinct grants of Liens and (ii) because of, among other things, their differing rights in the Collateral, the Noteholder Secured Obligations and the ABL Debt Obligations are fundamentally different from each other and must be separately classified in any plan of reorganization, compromise or arrangement proposed or adopted in an Insolvency or Liquidation Proceeding.
- (b) To further effectuate the intent of the parties as provided in the immediately preceding clause (a):
 - (i) if it is held that the claims of the ABL Debtholders and the Noteholders in respect of the ABL First Lien Collateral constitute only one class of secured claim (rather than separate classes of senior and junior secured claims), then the ABL Debtholders shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest, fees, costs and other charges, irrespective of whether a claim for such amounts is allowed or allowable in such Insolvency or Liquidation Proceeding, before any distribution from, or in respect of, any ABL First Lien Collateral is made in respect of the claims held by the Noteholders, with the Noteholders agreeing to turn over to the ABL Debtholders amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the claim or recovery of the Noteholders, and
 - (ii) if it is held that the claims of the ABL Debtholders and Noteholders in respect of the Notes First Lien Collateral constitute only one class of secured claim (rather than separate classes of senior and junior secured claims), then the Noteholders shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest, fees, costs and other charges, irrespective of whether a claim for such amounts is allowed or allowable in such Insolvency or Liquidation Proceeding, before any distribution from, or in respect of, any Notes First Lien Collateral is made in respect of the claims held by the ABL Debtholders, with the ABL Debtholders agreeing to turn over to the Noteholders amounts otherwise received or receivable by them to the extent necessary to effectuate the intent of this sentence, even if such

turnover has the effect of reducing the claim or recovery of the ABL Debtholders.

6.6 Post-Petition Interest.

- (a) Neither the Collateral Trustee nor any Noteholder will oppose or seek to challenge any claim by the ABL Collateral Agent or any ABL Debtholder for allowance in any Insolvency or Liquidation Proceeding of ABL Debt Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the Lien securing any ABL Debtholder's claim, without regard to the existence of the Lien of the Collateral Trustee on behalf of the Noteholders, on the ABL First Lien Collateral.
- (b) Neither the ABL Collateral Agent nor any ABL Debtholder shall oppose or seek to challenge any claim by the Collateral Trustee or any Noteholder for allowance in any Insolvency or Liquidation Proceeding of Noteholder Secured Obligations consisting of post-petition interest, fees or expenses to the extent of the value of the Lien securing any Noteholder's claim, without regard to the existence of the Lien of the ABL Collateral Agent on behalf of the ABL Debtholders on the Notes First Lien Collateral.

VII. RELIANCE; WAIVERS; ETC.

7.1 Reliance.

The ABL Collateral Agent, on behalf of itself and the ABL Debtholders, acknowledges that it and such ABL Debtholders have, independently and without reliance on the Collateral Trustee or any Noteholder, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into such ABL Debt Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the ABL Debt Documents or this Agreement. The Collateral Trustee, on behalf of itself and the Noteholders, acknowledges that it and the Noteholders have, independently and without reliance on any ABL Debtholder, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into each of the Noteholder Secured Debt Documents and be bound by the terms of this Agreement and they will continue to make their own credit decision in taking or not taking any action under the Noteholder Secured Debt Documents or this Agreement.

7.2 No Warranties or Liability.

The ABL Collateral Agent, on behalf of itself and the ABL Debtholders, acknowledges and agrees that each of the Collateral Trustee and the Noteholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Noteholder Secured Debt Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided in this Agreement, the Collateral Trustee and the Noteholders will be entitled to manage and supervise their respective loans and extensions of credit under their respective Noteholder Secured Debt Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Collateral Trustee, on behalf of itself and the

Noteholders, acknowledges and agrees that the ABL Collateral Agent and the ABL Debtholders have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the ABL Debt Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. Except as otherwise provided herein, the ABL Collateral Agent and the ABL Debtholders will be entitled to manage and supervise their respective loans and extensions of credit under the ABL Debt Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Collateral Trustee and the Noteholders shall have no duty to the ABL Collateral Agent or any of the ABL Debtholders, and the ABL Collateral Agent and the ABL Debtholders shall have no duty to the Collateral Trustee or any of the Noteholders, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with the Catalyst or any Guarantor, regardless of any knowledge thereof which they may have or be charged with.

7.3 No Waiver of Lien Priorities.

- (a) Subject to the rights of Catalyst and the Guarantors under the ABL Debt Documents and the Noteholder Secured Debt Documents, the ABL Collateral Agent, the ABL Debtholders, the Collateral Trustee and the Noteholders may, at any time and from time to time in accordance with the ABL Debt Documents, the Noteholder Secured Debt Documents and/or applicable law, without the consent of, or notice to, the other Persons (as the case may be), without incurring any liabilities to such Persons and without impairing or releasing the Lien priorities and other benefits provided in this Agreement (even if any right of subrogation or other right or remedy is affected, impaired or extinguished thereby) do any one or more of the following except as otherwise expressly set forth in this Agreement:
- (1) change the manner, place or terms of payment or change or extend the time of payment of, or amend, renew, exchange, increase or alter, the terms of any of the ABL Debt Obligations or Noteholder Secured Obligations or any Lien or guaranty thereof or any liability of Catalyst or any Guarantor, or any liability incurred directly or indirectly in respect thereof (including any increase in or extension of such Obligations, without any restriction as to the tenor or terms of any such increase or extension) or otherwise amend, renew, exchange, extend, modify or supplement in any manner any Liens held by the ABL Collateral Agent or Collateral Trustee or any rights or remedies under any of the ABL Debt Documents or the Noteholder Secured Debt Documents;
 - (2) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the Collateral or any liability of Catalyst or any Guarantor or any liability incurred directly or indirectly in respect thereof;
 - (3) settle or compromise any Noteholder Secured Obligation or ABL Debt Obligation or any other liability of Catalyst or any Guarantor or any security therefor or any liability incurred directly or indirectly in respect

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thereof and apply any sums by whomsoever paid and however realized to any liability in any manner or order; and

- (4) exercise or delay in or refrain from exercising any right or remedy against Catalyst or any Guarantor or any other Person.

7.4 Obligations Unconditional.

All rights, interests, agreements and obligations of the ABL Collateral Agent, the ABL Debtholders, the Collateral Trustee and the Noteholders, respectively, hereunder shall remain in full force and effect irrespective of:

- (a) any lack of validity or enforceability of any ABL Debt Document or Noteholder Secured Debt Document;
- (b) except as otherwise expressly set forth in this Agreement, any change in the time, manner or place of payment of, or in any other terms of, all or any of the ABL Debt Obligations or the Noteholder Secured Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any ABL Debt Document or Noteholder Secured Debt Document;
- (c) except as otherwise expressly set forth in this Agreement, any exchange of any security interest in any Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the ABL Debt Obligations or the Noteholder Secured Obligations;
- (d) the commencement of any Insolvency or Liquidation Proceeding in respect of Catalyst or any Guarantor; or
- (e) any other circumstances which otherwise might constitute a defense available to, or a discharge of, Catalyst or any Guarantor in respect of any of the ABL Debt Obligations or the Noteholder Secured Obligations.

VIII. MISCELLANEOUS.

8.1 Conflicts.

In the event of any conflict between the provisions of this Agreement and the provisions of any ABL Debt Document or any Noteholder Secured Debt Document, the provisions of this Agreement shall govern and control.

8.2 Effectiveness; Continuing Nature of this Agreement; Severability; Termination.

This Agreement shall become effective when executed and delivered by the parties hereto. This is a continuing agreement and the ABL Collateral Agent, the ABL Debtholders, the Collateral Trustee and the Noteholders may continue, at any time and without notice to any of the others, to extend credit and other financial accommodations and lend monies to or for the benefit of

Catalyst or any Guarantor in reliance hereon. Each such Person hereby waives any right it may have under applicable law to revoke this Agreement or any of the provisions of this Agreement. The terms of this Agreement shall survive, and shall continue in full force and effect, in any ~~Insolvency or Liquidation Proceeding~~. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All references to Catalyst or any Guarantor shall include such Person as debtor and debtor in possession and any receiver or trustee for any such Person (as the case may be) in any Insolvency or Liquidation Proceeding. This Agreement shall terminate and be of no further force and effect:

- (a) with respect to the ABL Collateral Agent, the ABL Debtholders and the ABL Debt Obligations, the date of the Discharge of ABL Debt Obligations, subject to the rights of the ABL Collateral Agent and the ABL Debtholders under Section 6.3; and
- (b) with respect to the Collateral Trustee and the Noteholders and the Noteholder Secured Obligations, the date of the Discharge of Noteholder Secured Obligations, subject to the rights of the Collateral Trustee and the Noteholders under Section 6.3.

8.3 Amendments; Waivers.

No amendment, modification or waiver of any of the provisions of this Agreement shall be deemed to be made unless the same shall be in writing signed on behalf of the ABL Collateral Agent and the Collateral Trustee, and shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. Notwithstanding the foregoing, neither Catalyst nor any Guarantor shall have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent its rights are directly affected thereby.

8.4 Information Concerning Financial Condition of Catalyst and the Guarantors.

The ABL Collateral Agent and the ABL Debtholders, on the one hand, and the Collateral Trustee and the Noteholders, on the other hand, shall each not be responsible for keeping the other informed of (a) the financial condition of Catalyst and the Guarantors and all endorsers and/or guarantors of the ABL Debt Obligations and the Noteholder Secured Obligations and (b) all other circumstances bearing upon the risk of nonpayment of the ABL Debt Obligations and the Noteholder Secured Obligations. Neither the ABL Collateral Agent and the ABL Debtholders, on the one hand, nor the Collateral Trustee and the Noteholders, on the other hand, shall have any duty to advise the other of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that either any ABL Collateral Agent or the ABL Debtholders, on the one hand, or the Collateral Trustee or the Noteholders, on the other hand, undertakes at any time or from time to time to provide any such information to any of the others, it or they shall be under no obligation:

- (a) to make, and shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided;
- (b) to provide any additional information or to provide any such information on any subsequent occasion;
- (c) to undertake any investigation; or
- (d) to disclose any information, which pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.5 Subrogation.

- (a) With respect to the value of any payments or distributions in cash, property or other assets that any of the Noteholders or the Collateral Trustee pays over to the ABL Collateral Agent or the ABL Debtholders under the terms of this Agreement, the Noteholders and the Collateral Trustee shall be subrogated to the rights of the ABL Collateral Agent and the ABL Debtholders; provided, however, that, the Collateral Trustee, on behalf of itself and the Noteholders, hereby each agrees not to assert or enforce any such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of ABL Debt Obligations has occurred. Catalyst and each Guarantor acknowledges and agrees that, to the extent permitted by applicable law, the value of any payments or distributions in cash, property or other assets received by the Collateral Trustee or any Noteholder that are paid over to the ABL Collateral Agent or the ABL Debtholders pursuant to this Agreement shall not reduce the amounts which Catalyst or such Guarantor shall be obligated to pay the Collateral Trustee or the Noteholders.
- (b) With respect to the value of any payments or distributions in cash, property or other assets that any of the ABL Debtholders or the ABL Collateral Agent pays over to the Collateral Trustee or the Noteholders under the terms of this Agreement, the ABL Collateral Agent and the ABL Debtholders shall be subrogated to the rights of the Collateral Trustee and the Noteholders; provided, however, that the ABL Collateral Agent, on behalf of itself and the ABL Debtholders, hereby agrees not to assert or enforce any such rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Capped Secured Obligations has occurred. Catalyst and each Guarantor acknowledges and agrees that, to the extent permitted by applicable law, the value of any payments or distributions in cash, property or other assets received by the ABL Collateral Agent and the ABL Debtholders that are paid over to the Collateral Trustee or any Noteholder pursuant to this Agreement shall not reduce the amounts which Catalyst or such Guarantor shall be obligated to pay the ABL Collateral Agent or the ABL Debtholders.

8.6 SUBMISSION TO JURISDICTION; WAIVERS.

- (a) ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PARTY ARISING OUT OF OR RELATING HERETO MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY:
- (i) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;
 - (ii) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;
 - (iii) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 8.7; AND
 - (iv) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (iii) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT.
- (b) EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER HEREOF, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE; MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 8.6(b) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF

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LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

- (c) EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY COURSE OF CONDUCT, COURSE OF DEALING, VERBAL OR WRITTEN STATEMENT OR ACTION OF ANY PARTY

8.7 Notices.

All notices to the ABL Debtholders and the Noteholders permitted or required under this Agreement shall be sent to the ABL Collateral Agent and Collateral Trustee, as applicable. Unless otherwise specifically provided herein, any notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States or Canadian mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex, or three Business Days after depositing it in the mail with postage prepaid and properly addressed. For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.8 Further Assurances.

The ABL Collateral Agent, acting on behalf of itself and the ABL Debtholders, on the one hand, and the Collateral Trustee, acting on behalf of itself and the Noteholders, on the other hand, each agrees that each of them shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the ABL Collateral Agent or Collateral Trustee may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement. Without limiting the generality of the foregoing, all such Persons agree upon request by ABL Collateral Agent or Collateral Trustee, to cooperate in good faith (and to direct their counsel to cooperate in good faith) from time to time in order to determine the specific items included in the Collateral, as applicable, and the steps taken to perfect their respective Liens thereon and the identity of the respective parties obligated under the ABL Debt Documents and the Noteholder Secured Debt Documents.

8.9 APPLICABLE LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.10 Binding Effect on Successors and Assigns and on Claimholders.

It is the parties intention that this Agreement shall be binding upon the ABL Collateral Agent, the ABL Debtholders, the Collateral Trustee, the Noteholders, Catalyst and the Gurantors and their respective successors and assigns, notwithstanding that the ABL Debtholders (other than the ABL Collateral Agent) and the Noteholders (other than the Collateral Trustee) may not be a party hereto. In the event that a Person becomes a Guarantor after the date hereof, such Person shall sign a joinder agreement in the form of Schedule A hereto and shall thereby become a

party to this Agreement. In the event that a successor ABL Collateral Agent or Collateral Trustee is appointed in accordance with the terms of the ABL Debt Documents or the Noteholder Secured Debt Documents, as applicable, such successor shall sign a joinder agreement in the form of Schedule B hereto and shall thereby become a party to this Agreement.

8.11 No Rights for Credit Parties Hereunder.

If the ABL Debtholders or the Noteholders enforce their rights or remedies in violation of the terms of this Agreement, but otherwise in conformity with the provisions of the ABL Debt Documents or the Noteholder Secured Debt Documents, as the case may be, neither Catalyst nor the Guarantors shall be entitled to use such violation as a defence to any Enforcement action under the ABL Debt Documents or the Noteholder Secured Debt Documents, nor shall Catalyst or any Guarantor assert such violation as a counterclaim or basis for set-off or recoupment against the ABL Debtholders or the Noteholders. The provisions of this Agreement are and are intended solely for the purpose of defining the relative rights of the ABL Debtholders, on the one hand, and the Noteholders, on the other hand. For the avoidance of doubt, neither Catalyst nor the Guarantors shall have any rights hereunder. Nothing in this Agreement is intended to or shall impair the obligations of Catalyst and each of the Guarantors, which are absolute and unconditional, to pay the ABL Debt Obligations and the Noteholder Secured Obligations as and when the same shall become due and payable in accordance with their terms. Catalyst and each of the Guarantors acknowledges the terms hereof and agrees to be bound hereby.

8.12 Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

8.13 Counterparts.

This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

8.14 Authorization.

By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

8.15 Payment Not Impaired.

Nothing in this Agreement shall impair, (i) as between Catalyst and the Guarantors, on the one hand, and the ABL Collateral Agent and the ABL Debtholders, on the other hand, or (ii) as between Catalyst and the Guarantors, on the one hand, and the Collateral Trustee and the Noteholders, on the other hand, in each case the obligations of the Catalyst and the Guarantors to

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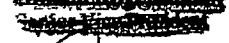
pay principal, interest, fees and other amounts as provided in the ABL Debt Documents and the Notcholder Secured Debt Documents, respectively.

IN WITNESS WHEREOF, the parties hereto have executed this Intercreditor Agreement as of the date first written above.


[Remainder of Page Intentionally Left Blank]

**CIT BUSINESS CREDIT CANADA INC. as
ABL Collateral Agent**

Per: 

Name:  Lawrence C
Title:  Vice President

Per: 

Name: 
Title: Donald Rogers
Senior Vice President

Notice Address:

207 Queen's Quay West
Suite 700
Toronto, Ontario
M5J 1A7

Attention: Account Executive
Facsimile No.: (416) 567-5100

**COMPUTERSHARE TRUST COMPANY OF
CANADA as Collateral Trustee**

Per: _____

Name: _____
Title: _____

Notice Address:

3rd Floor
510 Burrard Street
Vancouver, British Columbia
Canada

Attention: General Manager
Facsimile No.: 604-661-9403

**CIT BUSINESS CREDIT CANADA INC. as
ABL Collateral Agent**

Per: _____

Name: _____

Title: _____

Per: _____

Name: _____

Title: _____

Notice Address:

207 Queen's Quay West
Suite 700
Toronto, Ontario
M5J 1A7

Attention: Account Executive
Facsimile No.: (416) 567-5100

**COMPUTERSHARE TRUST COMPANY OF
CANADA as Collateral Trustee**

Per: _____

Name: _____

Title: Nicole H. Clement

Karl Burgess

General Manager Professional, Corporate Trust

Notice Address:

3rd Floor
510 Burrard Street
Vancouver, British Columbia
Canada

Attention: General Manager
Facsimile No.: 604-661-9403

CATALYST PAPER CORPORATION

Per: 

Name: Valerie Seager

Title: Vice-President and General Counsel

Notice Address for itself
and each of the Guarantors:Catalyst Paper Corporation
2nd Floor
3600 Lysander Lane
Richmond, British Columbia
V7B 1C3Attention: Corporate Secretary
Fax Number: (604) 247-0549

INTERCREDITOR AGREEMENT

THE CANADIAN GUARANTORS**0606890 B.C. LTD.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**CATALYST PAPER****By: CATALYST PAPER CORPORATION, its
managing partner**Per: 

Name: Valerie Seager

Title: Vice-President and General Counsel

**CATALYST PAPER ENERGY HOLDINGS
INC.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**CATALYST PAPER FINANCE LIMITED**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**CATALYST PULP AND PAPER SALES INC.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**INTERCREDITOR AGREEMENT**

CATALYST PULP OPERATIONS LIMITED.Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**CATALYST PULP SALES INC.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**ELK FALLS PULP AND PAPER LIMITED**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**PACIFICA POPLARS LTD.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel

THE U.S. GUARANTORS:**CATALYST PAPER HOLDINGS INC.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**CATALYST PAPER RECYCLING INC.**Per: 

Name: Valerie Seager

Title: Secretary

CATALYST PAPER (SNOWFLAKE) INC.Per: 

Name: Valerie Seager

Title: Secretary

CATALYST PAPER (USA) INC.Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**PACIFICA PAPERS SALES INC.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel

PACIFICA PAPERS US INC.Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**PACIFICA POPLARS INC.**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel**THE APACHE RAILWAY COMPANY**Per: 

Name: Valerie Seager

Title: Corporate Secretary and Legal
Counsel

THE HUNGARY GUARANTOR:**CATALYST PAPER SERVICES (HUNGARY)
LIMITED LIABILITY COMPANY**Per: *P Sakai*

Name: Patricia Sakai

Title: Managing Director

INTERCREDITOR AGREEMENT

THE HUNGARY GUARANTOR:

CATALYST PAPER SERVICES (HUNGARY)
LIMITED LIABILITY COMPANYPer: P. Sakai

Name: Patricia Sakai

Title: Managing Director

Per: Gabi Ewald

Name: Ernsbet Gabi

Title: Managing Director

SCHEDULE "A"
AGREEMENT OF GUARANTOR TO BE BOUND

To the Intercreditor Agreement dated March _____, 2010, among CIT Business Credit Canada Inc. (the "ABL Collateral Agent"), Computershare Trust Company of Canada (the "Collateral Trustee"), Catalyst Paper Corporation ("Catalyst") and the guarantors named on the signature pages thereto (the "Guarantors") (the "Intercreditor Agreement")

This Agreement to be Bound is being executed and delivered pursuant to Section 8.10 of the Intercreditor Agreement. The undersigned, having become a Guarantor of each of the ABL Debt Obligations and the Noteholder Secured Obligations on the date hereof, hereby agrees to be bound by the terms and conditions of, and to become a party to, the Intercreditor Agreement (a copy of which is attached hereto) as a Guarantor thereunder, as if the undersigned had been a party to such agreement as of the date thereof, and such terms and conditions shall enure to the benefit of and be binding upon the undersigned, its successors and permitted assigns.

IN WITNESS WHEREOF the undersigned has executed this instrument this _____ day of _____, 2010.

Per: _____

Authorized Signing Officer

SCHEDULE "B"
AGREEMENT OF SUCCESSOR TO BE BOUND

To the Intercreditor Agreement dated March _____, 2010, among CIT Business Credit Canada Inc. (the "ABL Collateral Agent"), Computershare Trust Company of Canada (the "Collateral Trustee"), Catalyst Paper Corporation ("Catalyst") and the guarantors named on the signature pages thereto (the "Guarantors") (the "Intercreditor Agreement")

This Agreement to be Bound is being executed and delivered pursuant to Section 8.10 of the Intercreditor Agreement. The undersigned successor to the [ABL Collateral Agent / Collateral Trustee], hereby agrees to be bound by the terms and conditions of, and to become a party to, the Intercreditor Agreement (a copy of which is attached hereto) as the [ABL Collateral Agent on behalf of the ABL Debtholders / Collateral Trustee on behalf of the Noteholders], as if the undersigned had been a party to such agreement as of the date thereof, and such terms and conditions shall enure to the benefit of and be binding upon the undersigned, its successors and permitted assigns.

IN WITNESS WHEREOF the undersigned has executed this instrument this _____ day of _____, 2010.

Per: _____

Authorized Signing Officer

AGREEMENT OF SUCCESSOR TO BE BOUND

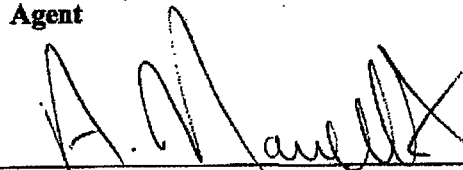
To the Intercreditor Agreement dated March 10, 2010, among CIT Business Credit Canada Inc. (the "ABL Collateral Agent"), Computershare Trust Company of Canada (the "Collateral Trustee"), Catalyst Paper Corporation ("Catalyst") and the guarantors named on the signature page thereto (the "Guarantors") (the "Intercreditor Agreement")

This Agreement to be Bound is being executed and delivered pursuant to Section 8.10 of the Intercreditor Agreement. The undersigned successor to the ABL Collateral Agent hereby agrees to be bound by the terms and conditions of, and to become a party to, the Intercreditor Agreement (a copy of which is attached hereto) as the ABL Collateral Agent on behalf of the ABL Debtholders, as if the undersigned had been a party to such agreement as of the date thereof, and such terms and conditions shall enure to the benefit of and be binding upon the undersigned, its successors and permitted assigns.

IN WITNESS WHEREOF the undersigned has executed this instrument this 31 day of May, 2011

**JPMORGAN CHASE BANK, N.A.,
TORONTO BRANCH, as ABL Collateral
Agent**

By:



Name: Agostino A. Marchetti

Title: Senior Vice President & Region
Manager