

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

	X	
	:	
In re:	:	Chapter 15
	:	
CATALYST PAPER CORP., <u>et al.</u> ,	:	Case No. 12- 10221 (PJW)
	:	
Debtors. <sup>1</sup>	:	Joint Administration Pending
	:	
	X	

**DECLARATION OF BRIAN BAARDA**

I, Brian Baarda, hereby declare as follows:

1. I am the Vice President, Finance and Chief Financial Officer of Catalyst Paper Corporation (“CPC”), the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors” and, together with the Debtors’ non-Debtor affiliates, the “Company”). I have held these positions since November 2009. I joined the Company in 1989 and have worked in several locations and held a number of senior accounting and analysis positions until moving to the operations side of the Company in 2001 as the pulp mill manager at

---

<sup>1</sup> The last four digits of the United States Tax Identification Number or Canadian Business Number of the Debtors, as applicable, follow in parentheses: (i) 0606890 B.C. Ltd. (2214); (ii) Catalyst Paper Corporation (1171); (iii) Catalyst Paper Energy Holdings Inc. (3668); (iv) Catalyst Paper General Partnership (6288); (v) Catalyst Pulp and Paper Sales Inc. (2085); (vi) Catalyst Pulp Operations Ltd. (4565); (vii) Catalyst Pulp Sales Inc. (4021); (viii) Elk Falls Pulp and Paper Ltd. (9493); (ix) Pacifica Poplars Ltd. (6048).; (x) Catalyst Paper Holdings Inc. (7177); (xi) Pacifica Papers U.S. Inc. (7595); (xii) Pacifica Poplars Inc. (9597); (xiii) Pacifica Papers Sales Inc. (7594); (xiv) Catalyst Paper (USA) Inc. (6890); (xv) Catalyst Paper (Recycling) Inc. (8358); (xvii) Catalyst Paper (Snowflake) Inc. (7015); (xvii) The Apache Railway Company (0017) (0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd., collectively, the “Canadian Debtors”) (Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, collectively, the “U.S. Debtors”). The Debtors’ executive headquarters’ addresses are 2<sup>nd</sup> Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

the former Elk Falls Division until 2003. From 2003 to 2005, I held the position of Vice President, Supply Chain. From 2005 to April 2008, I was the Vice President of the Powell River Division of CPC. From April 2008 to November 2009, I was the Vice President of Operations.

2. I am authorized by the Debtors to make this declaration (the “First-Day Declaration”). I submit this First-Day Declaration in support of the Debtors’ contemporaneously-filed requests for relief in the form of motions (the “First-Day Motions”).<sup>2</sup> I am an individual over the age of 18 and, if called upon, would testify to all the matters set forth in this First-Day Declaration. Except as otherwise indicated, all facts set forth in this First-Day Declaration in support of the Debtors’ verified petitions under chapter 15 of the title 11 of the United States Code (the “Bankruptcy Code”) and the First-Day Motions are based upon my personal knowledge, information supplied to me by other members of the Debtors’ management and professionals, or learned from my review of relevant documents or upon my opinion based upon my experience and knowledge of the Debtors’ industry, operations, and financial condition. If called upon to testify, I could and would testify competently to the facts set forth herein.

## **BACKGROUND**

### **A. The Chapter 15 Filing**

3. On January 17, 2012, the Debtors filed and served notice of their motion for protection (the “CBCA Proceeding”) under Canada’s *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) before the Supreme Court of British Columbia (the “Canadian Court”).

---

<sup>2</sup> Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the relevant First-Day Motion.

4. The Debtors commenced CBCA Proceedings to effect a consensual restructuring arrangement reached with certain creditors. The CBCA provides for a controlled reorganization procedure designed to enable financially distressed companies to avoid foreclosure or seizure of assets while maximizing the company's value as a going concern for the benefit of creditors and other parties in interest, and includes provisions for the adjustment of debt (i.e., "arrangements") under which companies may effect reorganizations. The CBCA Proceeding involves an arrangement which restructures the claims and interests of the Chapter 15 Debtors' secured lenders, secured and unsecured debenture holders, and equity holders. Like certain "prepackaged" bankruptcy cases in the U.S., the claims of all other creditors, including employees, litigants, trade vendors, licensors and other contract counterparties, and others, are unaffected by the recapitalization transaction. Accordingly, the Company will continue to pay such other creditors in the ordinary course.

5. Pursuant to the CBCA, on January 17, 2012, the Canadian Court entered an interim order (the "Interim Order") specifying such items as the manner for calling and holding a special meeting of the stakeholders (e.g., distribution of proxy materials, notice periods, and time and place of meeting), the persons entitled to vote at the meeting, classes of persons entitled to a separate class vote, and the acceptance thresholds for approval of the CBCA arrangement. A true and correct copy of the Interim Order is attached hereto as Exhibit A.

6. As detailed in the Kaplan Declaration, in the CBCA Proceeding, the Debtors' assets and affairs are subject to the supervision of the Canadian Court during the pendency of the Canadian Proceeding. Any party-in-interest seeking to object to the arrangement may appeal to the Canadian Court. The Canadian Court, through the CBCA Proceeding, is properly exercising its jurisdiction over the Canadian Debtors and the U.S.

Debtors, as provided under section 192 of the CBCA. Pursuant to the CBCA, the Debtors have obtained from the Canadian Court an Interim Order, in which the Canadian Court concludes that the Canadian Debtors and U.S. Debtors are “party to, or subject to, [the CBCA] proceeding,” and grants a stay for the protection of all of the Debtors and their assets. Interim Order at ¶ 33.

7. On the date hereof (the “Petition Date”), the Debtors commenced their chapter 15 cases by filing verified petitions (the “Chapter 15 Petitions”) pursuant to section 1504 and 1515 of the Bankruptcy Code (collectively, the “Chapter 15 Cases”). Contemporaneously herewith, CPC has filed a motion (the “Recognition Motion”) seeking recognition of the CBCA Proceeding as a “foreign main proceeding” as defined in section 1502(4) and 1517(b)(1) of the Bankruptcy Code.

## **B. Background and Current Business Operations**

8. The Company is the largest producer of mechanical printing papers in western North America. The Company produces paper and pulp for commercial printers, publishers and paper manufacturers in North America, Latin America, the Pacific Rim and Europe. The Company is the region’s only producer of lightweight coated paper and the world’s largest manufacturer of paper for telephone and other directories. The Company also makes market kraft pulp. The Company has manufacturing operations in British Columbia and in Arizona with a combined annual production capacity of approximately 1.9 million tons. The Company is listed on the Toronto Stock Exchange under the symbol TSX:CTL.

9. The Company was formed from the operations of several predecessor companies. British Columbia Forest Products Limited formed in 1946, which was subsequently purchased in 1987 by Fletcher Challenge Limited (“Fletcher Challenge”) of New Zealand. British Columbia Forest Products Limited subsequently changed its name to Fletcher Challenge Canada Limited and, in 1993, acquired the forestry business and assets of Crown Forest

Industries Limited. In 2000, Norwegian paper company Norske Skogindustrier ASA purchased all of Fletcher Challenge's worldwide pulp and paper assets, including its shares of Fletcher Challenge Canada Limited. Fletcher Challenge Canada Limited subsequently changed its name to Norske Skog Canada Limited ("Norske Skog Canada"). In 2001, Norske Skog Canada acquired Pacifica Papers and the two companies were merged. In 2003, shares of the company carrying on the Newstech Recycling business in Coquitlam, were acquired to in-source the supply of de-inked pulp. In October 2005, Norske Skog Canada Limited changed its name to Catalyst Paper Corporation. In late 2006, Third Avenue Management acquired approximately 38% of the Company's stock following the exit of Norske Skogindustrier ASA as a major shareholder. In April 2008, the Company through its wholly owned subsidiary, Catalyst Paper (Snowflake) Inc. purchased the production facility and assets, including the shares of a railway company, The Apache Railway Company, from Abitibi Consolidated Sales Inc.

10. The Debtors' business is comprised of three business segments: specialty printing papers, newsprint, and pulp. Specialty printing papers include coated mechanical, uncoated mechanical, and directory paper. The Debtors are the only producer of coated mechanical paper and soft calendar ("SC") paper in western North America.

(i) Specialty Printing Papers. The Debtors' largest business segment is specialty printing papers, which generated 57% of 2010 consolidated sales revenue; our papers are sold to a diversified customer base consisting of retailers, magazine and catalogue publishers, commercial printers, and telephone directory publishers. In 2010, 89% of specialty printing papers sales volume was sold to customers in North America.

(ii) Newsprint. Newsprint sales generated 25% of 2010 consolidated sales revenue. The newsprint customer base consists primarily of newspaper publishers located in

western and central North America, Asia, and Latin America. In 2010, 72% of newsprint sales volume was sold to customers in North America.

(iii) Pulp. Pulp sales generated 18% of 2010 consolidated sales revenue. The pulp customer base is located primarily in Asia and includes producers of tissue, magazine papers, wood-free printing and writing papers, and certain specialty printing paper products. In 2010, 99% of pulp sales volume was sold to customers in Asia. The Crofton pulp mill is located on tidewater and has a deep-sea vessel loading facility, which enables direct-from-mill shipments to international buyers.

11. The Debtors' products are sold by their sales and marketing personnel in North America and through distributors and agents in other geographic markets. These products are shipped by a combination of rail, truck, and barge for customers located in North America and by break-bulk and deep-sea container vessels for customers located overseas.

12. The Company's active business operations comprise three pulp and paper mills and a distribution center in British Columbia, and one paper mill and a railroad in Arizona. These operations are summarized as follows:

(i) Crofton Division. An integrated pulp and paper manufacturing division located near Duncan on southern Vancouver Island. Crofton has two pulp machines with a capacity of 310,000 tons of Northern beaches softwood kraft ("NBSK") pulp (the paper industry's benchmark grade of pulp) per year and 3 paper machines with an annual capacity of 291,000 tons of newsprint and 145,000 tons of directory paper.

(ii) Port Alberni Division. A directory and lightweight coated paper manufacturing operation on Vancouver Island with 2 paper machines and an annual capacity of 338,000 tons.

(iii) Powell River Division. A newsprint and uncoated mechanical specialty paper manufacturing operation on the mainland coast of B.C. This division has 3 paper machines and has the annual capacity of 30,000 tons of newsprint and 449,000 tons of specialty paper.

(iv) Surrey Distribution Center. The Company's central distribution center for finished goods located in Surrey, B.C.

(v) Snowflake Mill. A 100% recycled newsprint and specialty paper manufacturing operation located in northeastern Arizona. This mill has 2 paper machines with an annual capacity of 289,000 tons of newsprint and 48,000 tons of specialty papers. The division has approximately 295 employees.

(vi) Apache Railroad. An Arizona shortline railroad of approximately 61 km (38 miles) in length that operates from a connection with the BNSF Railway at Holbrook, AZ to the Company's Snowflake mill.

13. The Company also has two other locations where operations have ceased but the Company retains an interest in property and assets located at each of the sites:

(i) Elk Falls Division. Previously a newsprint and uncoated specialty paper manufacturing operation located near Campbell River on Vancouver Island. Elk Falls had 2 paper machines with an annual capacity of 373,000 tons of newsprint and 153,000 tons of specialty papers. The machines have been mothballed and are in an inoperable state.

(ii) Paper Recycling Division ("PRD"). The Company previously operated a paper de-inking facility in Coquitlam, B.C. to produce recycled pulp for its other mills. The

Company holds a long-term lease of the premises. The facility has been mothballed and is in an inoperable state.

14. Apache Railroad. An Arizona shortline railroad of approximately 38 miles in length that operates from a connection with the BNSF Railway at Holbrook.

### **C. The Company's Corporate and Capital Structure**

15. The Company's corporate structure is set forth in Exhibit B, attached hereto. CPC is a corporation organized under the CBCA. It is the parent company of the enterprise and directly controls 100% of the common equity of almost all of the Canadian Debtors,<sup>3</sup> as well as Catalyst Paper Holdings Inc. ("CPI"), a Delaware corporation, which directly or indirectly controls the U.S. Debtors. The Company had consolidated assets and liabilities, as of September 30, 2011, of approximately CAD\$1,450.2 million and CAD\$1,314.6 million, respectively. The principal debt obligations of the Company comprise public debt obligations and a credit facility.

16. 2014 Notes. The Company issued 7.375% senior unsecured notes with a face value of US\$250.0 million, due in March 2014 (the "2014 Notes"). Interest is paid semi-annually for a total interest cost of US\$18.4 million per annum.

17. 2016 Notes. The Company issued 11% senior secured notes with a face value of US\$280.4 million in March 2010, due December 2016 (the "2016 Class A Notes"). The Company issued a further series of 11% senior secured notes with a face value of US\$110.0 million in May 2010, due December 2016 (the "2016 Class B Notes" and, together with the 2016

---

<sup>3</sup> Debtor Catalyst Paper General Partnership is a partnership which is controlled 71.3% by CPC and 28.47% by Debtor Catalyst Pulp Operations Limited.



Class A Notes, the “2016 Notes”). As of November 30, 2011, the total indebtedness under the 2016 Notes is approximately US\$390 million.

18. The 2016 Notes are secured by a first lien on substantially all of the assets of the Company, other than the ABL First Charge Collateral (as defined below) and certain excluded assets (the “2016 Notes First Charge Collateral”). The 2016 Notes are further secured by a second priority lien over the ABL First Charge Collateral (“2016 Notes Second Charge Collateral”). The Debtors are guarantors of the 2014 Notes and 2016 Notes.

19. ABL Facility. The Company has a revolving credit facility for up to CAD\$175 million (the “ABL Facility”). Availability under the ABL Facility is determined by a borrowing base calculated primarily on eligible accounts receivable and eligible inventory less certain reserves. As of September 30, 2011, the availability under the ABL Facility was \$108.1 million, after deducting outstanding drawings and letters of credit. Interest on drawings on the ABL is the prime rate for CAD drawings and the US prime rate minus 0.25% for USD drawings. The fees for letters of credit issued under the ABL Facility are calculated at 2.5 %. Security for the ABL Facility consists of a first lien on the Debtors’ current assets including accounts receivable, inventories, and cash (the “ABL First Charge Collateral”), and a second lien on those assets of the Debtors subject to the first charge of the 2016 Notes, as detailed above. Certain assets, such as certain contracts and equipment and financing leases, are excluded from the security pledge. Members of the ABL syndicate include, among others, CIBC Asset Based Lending Inc. and J.P. Morgan Securities LLC.

#### **D. Events Leading Up to CBCA Filing**

20. Since 2006, the Company’s gross revenues and EBITDA have steadily decreased as a result of reduced global demand for paper products. While the Company has adjusted its fixed cost structure to react to the changing demand, there have been several other

factors that have produced significant challenges to the business. These have included the following:

(i) The demand for paper and pulp products continues to decline with the increase in online (electronically delivered) media and advertising as well as the increase in environmental awareness and stewardship. Production curtailments and machine closures (such as the Company's Elk Falls Mill) have occurred in step with the reduced demand.

(ii) Prices for finished goods have been under pressure.

(iii) Raw material input prices have increased due to decreased supply, particularly in the area of old newsprint (ONP) where reduced usage and paper and increased demand from China have affected the market.

(iv) The appreciation of the Canadian dollar has negatively impacted revenues from export sales. The Company is highly susceptible to a high Canadian dollar with a negative impact on earnings of \$5 million of every one cent decrease in the US dollar relative to the Canadian dollar.

(v) Capital expenditures have been substantially reduced, exposing the Company to the potential for increased maintenance downtime periods.

21. Total liquidity of the Company (defined as the borrowing base less outstanding letters of credit plus cash on hand) dropped 61.5% from CAD\$327.2 million at March 31, 2007 to CAD\$125.9 million at September 30, 2011. The change is predominantly due to a decrease in the borrowing base as a result of the closure of the Elk Falls and PRD locations, as well as other changes in working capital. Cash resources have been further constrained in 2011 as a result of the payment of outstanding property taxes for a prior year of CAD\$4.1

million; a one-time pension contribution of US\$5.1 million to wind up a U.S. defined benefit pension plan; and a general increase in working capital requirements.

22. The Company maintains a number of registered and unregistered pension plans and post retirement benefit programs. In 2010, the Company made cash payments of approximately CAD\$35.7 million towards these plans, and in 2011, the Company projected to make payments of approximately CAD\$41.2 million, for both current and past service costs. As such, they represent a significant use of the Company's available funds. Further, the Company is required to make additional contributions to the registered pension plans in order to address the solvency deficits in those plans.

23. The Company recorded an impairment charge of CAD\$151.0 million (US\$145.3 million) on certain assets of Snowflake in Q3 2011, reflecting an erosion in the economic value of the Snowflake mill to the Company's total operations pursuant to U.S. GAAP principles. Significant changes to the economic and market environment in which Snowflake mill operates have had an adverse effect on the mill's operating results. The profitability of the Snowflake mill's recycled newsprint operation has been, and will continue to be, negatively impacted by reduced North American demand for newsprint due to declining circulation, ongoing conservation and migration to electronic media. This reduction in demand has resulted in excess newsprint capacity and very competitive conditions in the marketplace that continue to limit the Company's ability to successfully implement price increases to reflect increases to the Company's cost structure.

24. On June 21, 2010, Kevin J. Clarke joined the Company as President and Chief Executive Officer. Under Mr. Clarke's management, the Company has taken a number of actions to address the aforementioned issues, including, but not limited to:

- (i) reducing fixed and operational costs across all mills;
- (ii) reducing corporate overhead and staff;
- (iii) improving product mix;
- (iv) selective investment in capital projects with short pay-backs;
- (v) closing the Elk Falls mill in July 2010 after curtailing its production as of February 2009;
- (vi) closing the Recycling Facility in Coquitlam, B.C. in July 2010, which had been idled since February 2010;
- (vii) restructuring the ABL Facility by amending it to address the reduced working capital levels resulting from the above closures and to remove the fixed assets of the Snowflake Mill from the borrowing base;
- (viii) formal and informal discussions with strategic investors over the reorganization of the Company's corporate and capital structure; and
- (ix) made numerous attempts to renegotiate competitive collective agreements with the Canadian union as well as successfully concluded negotiations with the US unions.

25. None of the above restructuring or refinancing alternatives provided the Company with sufficient liquidity relief that it required to maintain its continued viability as a going concern business. Given the Company's liquidity constraints, in October 2011, it became apparent that the Company may breach certain covenants under the 2016 Notes and it would be necessary for the Company to restructure its debt obligations. As a result, the Company began negotiating with representatives of certain holders of the 2014 Notes (collectively, the "2014 Noteholders") and holders of the 2016 Notes (collectively, the "2016 Noteholders") who had entered into confidentiality agreements since the fall of 2011. The negotiations, which have

taken place over the last two and one half months, have included the Company, certain of the 2014 Noteholders and certain of the 2016 Noteholders together with their respective legal and financial advisors. On December 15, 2011, the Company deferred an interest payment of US\$21 million on the 2016 Notes. The Company had until January 16, 2011 to pay this amount before triggering an event of default. An event of default would have allowed the holders of the 2016 Notes to declare the US\$390 million principal amount and all accrued interest on the 2016 Notes immediately due and payable and to begin proceedings to realize upon the security held in connection with the 2016 Notes. Following the Company's decision to defer payment of interest on the 2016 Notes, the Company and certain holders of the 2016 Notes and 2014 Notes intensified negotiations regarding the recapitalization of the Company. Ultimately, the Company and its constituents were able to arrive at terms that satisfied the Company's goals of enhanced flexibility to respond to the downturn in the market for paper, newsprint and pulp, improved capital structure and reduced debt service burden. Specifically, under the terms of the consensual arrangement (a publicly-filed version of such agreement attached hereto as Exhibit C) negotiated among the Company, certain holders of 2016 Notes and certain holders of 2014 Notes, the Company will realize a \$315.4 million reduction in debt and up to a \$25.5 million reduction in annual cash interest expense. In addition, holders of 2016 Notes will exchange their debt for \$325 million aggregate principal amount of new senior secured notes which are payable by the Company at 11% if in cash or, at the Company's election, at 7.5% in cash and 5.5% payment in kind and 80% of the Company's common shares. Holders of 2014 Notes will exchange their debt for 15% of the Company's common shares plus warrants and an opportunity to acquire an additional 4.5% of the Company's common shares. Existing equity holders will retain up to 0.5% of the common shares, provided that the recapitalization is successfully accomplished

under the CBCA. The Company is pleased to report that holders of \$208.1 million of the outstanding 2016 Notes and holders of \$54.5 million of the outstanding 2014 Notes have agreed to support the transaction to date.

### **FIRST-DAY MOTIONS**

26. In furtherance of these objectives, the Debtors expect to file a number of First-Day Motions and proposed orders and respectfully request that the Court consider entering the proposed orders granting such First-Day Motions. I have reviewed each of the First-Day Motions and proposed orders (including the exhibits thereto) and the facts set forth therein are true and correct to the best of my knowledge, information and belief.

#### **A. Joint Administration of Cases**

27. CPC has filed a motion to jointly administer the Chapter 15 Cases (the “Joint Administration Motion”). Joint administration is warranted in these cases. The Debtors are affiliated entities with closely-related financial affairs and business operations, and joint administration will ease the administrative burden on the Court and the parties. I anticipate that the various notices, applications, motions, other pleadings, hearings and orders in these cases will affect each of the Debtors. The failure to administer these cases jointly would result in duplicative pleadings and service. Such unnecessary duplication would impose avoidable expenses on all parties.

28. Joint administration will permit this Court to use a single docket for the jointly-administered cases and combine notices to creditors and other parties in interest of the Debtors. Joint administration will protect parties in interest by ensuring that they will be appropriately apprised of all matters. Accordingly, I believe entry of an order granting the relief

requested in the Joint Administration Motion is in the best interests of the Debtors and all parties in interest.

**B. Motion for Entry of an Order Under Federal Rule of Bankruptcy Procedure 1007(a)(4) Authorizing the Debtors to File Consolidated List of Foreign Proceeding Administrators, Litigation Parties, and Entities Against Whom 11 U.S.C. § 1519 Provisional Relief is Sought**

29. To ease the administrative burden of these cases on the parties, the Debtors are seeking authorization to file a consolidated list in the Debtors' main case of foreign proceeding administrators, parties to litigation in which any of the Debtors is a party, and all entities against which CPC seeks provisional relief under section 1519 of the Bankruptcy Code. I believe that the relief requested will reduce the administrative costs of these chapter 15 cases and therefore is in the best interests of the parties. The Debtors presently maintain, on a consolidated basis, various lists that contain nearly all of the data required to comply with the requirements of Bankruptcy Rule 1007(a)(4). Accordingly, the Debtors are seeking authority to file such consolidated list. I believe that the relief requested would be more efficient and conserve the resources of the parties.

**C. Motion for Provisional and Final Relief for Recognition of a Foreign Proceeding**

30. CPC has also filed, concurrently herewith, a motion (the "Recognition Motion") seeking provisional relief, final relief and final recognition of the CBCA Proceeding as a foreign proceeding. As set forth in the Recognition Motion, this Court should recognize the CBCA Proceeding as a "foreign main proceeding," as defined in section 1502(4) of the Bankruptcy Code. In the alternative, this Court should recognize the CBCA Proceeding as a "foreign main proceeding" with respect to the Canadian Debtors and a "foreign nonmain proceeding" with respect to the U.S. Debtors. The Bankruptcy Code provides that a foreign proceeding is a "foreign main proceeding" if it is pending in the country where the debtor has its

“center of main interests,” and a foreign proceeding is a “foreign nonmain proceeding” if it is pending in the country where the debtor has an “establishment,” defined as a place of operations where the debtor “carries out a nontransitory economic activity.” See 11 U.S.C. §§ 1517(b)(1)-(b)(2), § 1502(2).

31. The Debtors’ “center of main interest” is clearly in Richmond, British Columbia, Canada. Richmond, B.C., part of the Greater Vancouver Regional District, is the location of the Debtors’ headquarters and is the nerve center of the Debtors’ management, business and operations. Three of the four mills operated by the Debtors are also located in the province of British Columbia. The Debtors and their non-debtor affiliates are operationally and functionally integrated in many respects, organized under centralized senior management and are subject to combined cash management and accounting functions, all based in and overseen from Richmond. The following (non-exhaustive) critical functions are performed for the Debtors and their non-Debtor affiliates out of the Richmond office:

- (a) the operations of the Company are directed from the Company’s head office in Richmond;
- (b) all of the Debtors report to CPC, which is headquartered at the Company’s head office in Richmond;
- (c) corporate governance for the Company is directed from Canada;
- (d) the directors and officers of the United States Debtors perform their duties in Richmond<sup>4</sup>;
- (e) strategic and key operating decisions and key policy decisions for the Company are made by the Company’s staff located in Richmond;
- (f) the Company’s tax, treasury and cash management functions are managed from Richmond and local plant finance staff report to senior finance management in Richmond;

---

<sup>4</sup> Only one member of the senior management team, the head of CPC’s sales department, is stationed outside of Richmond in Seattle, Washington.



- (g) the Company's human resources functions are administered from Richmond and all local human resources staff report into Richmond;
- (h) the Company's information technology and systems are directed from Richmond;
- (i) management and senior staff of the Company regularly attend meetings in Richmond;
- (j) all public company reporting and investor relations are directed from Richmond;
- (k) Mr. Clarke, the Company's President and Chief Executive Officer, is based in Richmond and, in addition to the senior management referenced above, all sales, manufacturing, operations and legal staff report to Mr. Clarke; and
- (l) each of the Debtors has assets in Canada, and each of the U.S. Debtors owns and maintains a bank account at a Canadian chartered bank in Vancouver, British Columbia which maintains such funds on deposit.

32. As such, it is my belief that Canada is the Debtors' center of main interests, and, accordingly, the CBCA Proceeding should be recognized by the Court as a foreign main proceeding. However, even assuming that Canada is not the center of main interests of the U.S. Debtors, based on the above description, the U.S. Debtors clearly have an "establishment" in Canada within the meaning of section 1502(2) of the Bankruptcy Code.

33. By the Recognition Motion, CPC also requests the application of sections 362 and 365(e) of the Bankruptcy Code on an interim basis until the hearing on recognition takes place. As explained more fully in the Recognition Motion, absent such preliminary relief pending the Court's determinations with respect to recognition of the CBCA Proceeding as a "foreign main proceeding," certain U.S. creditors may seek a tactical advantage through unilateral action, including acceleration or efforts to commence litigation, attachment or other legal process in whatever U.S. jurisdiction a creditor may chose. As the success of the CBCA Proceeding depends on the Debtors' ability to adopt a unified plan of arrangement covering the

claims of all creditors, the threat of disruption of the reorganization process as well as the legal cost of defending such actions may have a severe and adverse impact on any chance of a successful reorganization in the CBCA Proceeding, causing irreparable harm to the Debtors and other interested parties.

34. In addition, certain contracts with U.S. creditors include provisions for automatic termination which may be triggered by either the filing of the CBCA Proceeding or these Chapter 15 Cases. Termination of these contracts would have similar detrimental effects on the Debtors' reorganization efforts and therefore must be prevented by application of section 365(e) of the Bankruptcy Code. Accordingly, I believe that granting the provisional relief requested in the Recognition Motion is necessary for the successful reorganization of the Debtors, and clearly in the Debtors' and their creditors' best interests.

35. The Debtors seek to give full force and effect in the United States to any and all orders that have been or will be made or entered in the CBCA Proceeding, including without limitation, the Interim Order and any forthcoming final order approving the restructuring transaction to be effected through the CBCA "arrangement" (collectively, the "Canadian Orders"), including any extensions or amendments in the United States and to obtain recognition of the CBCA's stay of proceedings to protect their United States assets and operations. The Debtors require immediate protection in the United States through entry of the Provisional Relief Order, consistent with the relief provided for in the Canadian Orders, to prevent creditors and other stakeholders from taking steps to disrupt the Debtors' operations, potentially deplete their estates to the detriment of all stakeholders, and irreparably jeopardize the Debtors' ongoing efforts to restructure.

36. In short, the failure to protect the Debtors' U.S. assets will irreparably harm the Debtors and deplete their resources, thereby limiting the Debtors' ability to maximize the assets available, on an equitable basis, for all creditors of the Debtors. The proposed relief will ease these concerns and allow for the orderly administration of the Debtors' affairs and equitable resolution of the Debtors' liabilities with supervision by the Canadian Court. A stay of all actions and remedies that could be exercised against the Debtors and protection against automatic termination of contracts will not only preserve the Debtors' assets for the benefit of their creditors, but also allow the Company to devote its full attention to effectively and efficiently administering the CBCA Proceeding.

37. Accordingly, based on the foregoing, I urge the Court to grant the relief requested in the Recognition Motion, as I believe such relief to be vital to a successful restructuring of the Debtors, and in the best interests of the Debtors and their creditors generally.

**D. Motion to Approve Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code, and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition**

38. CPC has filed a motion (the "Notice Motion") to (a) approve notice of the Chapter 15 Petitions, the Recognition Motion, and other related pleadings involving the Chapter 15 Cases; (b) approve a modified notice to the Debtors' employees; (c) set a hearing on the relief sought in the Recognition Motion; and (d) set a deadline by which objections to the Recognition Motion must be received.

39. The Debtors have numerous creditors, potential creditors, and other parties in interest, all of which need to be provided with, among other things, notice of the filing of these Chapter 15 Cases, notice of the Provisional Relief Order (once entered), the proposed Recognition Order relating to the Recognition Motion, the deadline to object to the Recognition Motion, and the hearing on the Recognition Motion. Under the facts and circumstances of the

Chapter 15 Cases, it is my belief that service of the notice in the manner proposed in the Notice Motion will provide the Debtors' various parties in interest due and sufficient notice and service of such matters and any associated objection deadline and hearing dates.


40. Furthermore, the Notice Motion proposes a simplified form of notice to be made available to the Debtors' 314 U.S. employees. I believe that a modified notice to such employees is in the best interests of CPC so as not to burden CPC with the significant costs necessarily attendant to copying and mailing the various documents associated with the Recognition Notice to the entire matrix of putative creditors and other parties. Moreover, I believe that sending copies of various pleadings and orders that do not directly impact employees may only serve to confuse and distract them, at a critical juncture when the Company is seeking to implement the restructuring.

41. Accordingly, I believe entry of an order granting the relief requested in the Notice Motion is in the best interests of the Debtors and all parties in interest.

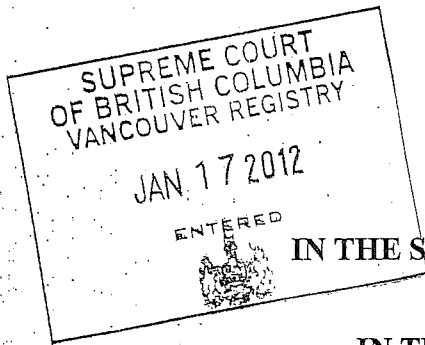
Based on the foregoing, I believe that the relief requested in the Debtors' Chapter 15 Cases is well-justified, necessary to a successful reorganization of the Debtors, and in the best interests of the Debtors and their creditors and should be granted in full.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: Richmond, British Columbia, Canada  
January 17, 2012

  
\_\_\_\_\_  
Brian Baarda

## **EXHIBIT A**



SUPREME COURT  
OF BRITISH COLUMBIA  
VANCOUVER REGISTRY

JAN 17 2012

No. S-120362  
Vancouver Registry



IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 192 OF THE  
*CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS  
AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
CATALYST PAPER CORPORATION AND ECHELON PAPER CORPORATION

CATALYST PAPER CORPORATION  
ECHELON PAPER CORPORATION

PETITIONERS

ORDER MADE AFTER APPLICATION

INTERIM ORDER

BEFORE THE HONOURABLE  
MR. JUSTICE SEWELL

) TUESDAY THE 17<sup>th</sup> DAY  
)  
) OF JANUARY, 2012

ON THE APPLICATION of the Petitioner, Catalyst Paper Corporation ("Catalyst") and the Petitioner Echelon Paper Corporation ("Echelon"), for an Interim Order pursuant to the Petition filed on January 17, 2012 coming on for hearing at Vancouver, British Columbia, on the 17<sup>th</sup> day of January, 2012, AND ON HEARING, Bill Kaplan, Q.C. and Sean K. Boyle counsel for Catalyst and Echelon and Melaney Wagner, counsel for the Initial Supporting Unsecured Noteholders and John Sandrelli and Chris Ramsay, counsel for the Steering Group of 2014 Noteholders AND ON being advised of the conditional letter of non-appearance delivered by the Director appointed under section 260 of the *Canada Business*

*Corporations Act*, AND UPON READING the Petition herein and the Affidavit of Brian Baarda sworn on January 17, 2012 (the "Catalyst Affidavit") and filed herein:

**THIS COURT ORDERS AND DECLARES THAT:**

**2014 NOTEHOLDERS' MEETING**

1. In accordance with the provisions and requirements of the RSA (as defined below), Catalyst shall call, hold and conduct a special meeting of the holders of 7 3/8% senior notes (the "2014 Notes") due March 1, 2014 (the "2014 Noteholders") issued pursuant to the indenture dated March 23, 2004 (the "2014 Indenture") at 9:00 a.m. (Vancouver time) on March 8, 2012 at Blake, Cassels & Graydon LLP, located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, or at such other time or place as Catalyst may set out in the Management Information Circular ("Circular") of Catalyst (the "2014 Noteholders' Meeting"), at which the 2014 Noteholders will be asked to, among other things:

- (a) consider, and if thought advisable, to pass, with or without variation, a resolution (the "2014 Noteholders' Arrangement Resolution") approving an arrangement pursuant to Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "Proposed Arrangement") as proposed in the Term Sheet attached as Exhibit "D" to the Catalyst Affidavit (the "Proposed Arrangement Term Sheet"), as contemplated by the Restructuring and Support Agreement attached as Exhibit "E" to the Catalyst Affidavit (the "RSA") and as will be more particularly described in the Circular to be approved by the Court; and
- (b) transact such other business as may properly come before the 2014 Noteholders' Meeting or any adjournment thereof.

**2014 NOTEHOLDERS' RECORD DATE**

2. The record date for entitlement to notice of the 2014 Noteholders' Meeting and for entitlement to vote at the 2014 Noteholders' Meeting shall be February 1, 2012 (the "2014 Noteholders' Record Date"), as previously approved by the Board of Directors of Catalyst.



## NOTICE OF 2014 NOTEHOLDERS' MEETING

3. The Circular, form of proxy, Notice of Hearing of Final Application and a Notice of Meeting of 2014 Noteholders (the "2014 Noteholders' Meeting Materials") in a form to be approved by the Court, shall be sent to:

- (a) the 2014 Noteholders as they appear on the applicable securities register of Catalyst as at the 2014 Noteholders' Record Date, at least twenty-one (21) days prior to the date of the 2014 Noteholders' Meeting, by one or more of the following methods:
  - (i) by prepaid ordinary or first class mail addressed to the 2014 Noteholder at his, her or its address as it appears on the applicable securities register of Catalyst as at the 2014 Noteholders' Record Date;
  - (ii) by delivery in person, or by delivery to the addresses specified in subparagraph (i) above; or
  - (iii) by email or facsimile transmission to any 2014 Noteholder who identifies himself, herself or itself to the satisfaction of Catalyst, acting through its representatives, who requests such email or facsimile transmission; and
- (b) in the case of non-registered 2014 Noteholders, by providing copies of the 2014 Noteholders' Meeting Materials to intermediaries and registered nominees for sending to both non-objecting beneficial owners and objecting beneficial owners in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators at least three (3) Business Days prior to the twenty-first (21<sup>st</sup>) day prior to the date of the 2014 Noteholders' Meeting;

and substantial compliance with this paragraph shall constitute good and sufficient notice of the 2014 Noteholders' Meeting.

4. Accidental failure of or omission by Catalyst to give notice to any one or more of

the 2014 Noteholders or the non-receipt of such notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Catalyst (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order, or in relation to notice to the 2014 Noteholders, a defect in the calling of the 2014 Noteholders' Meeting, and shall not invalidate any resolution passed or proceedings taken at the 2014 Noteholders' Meeting, but if any such failure or omission is brought to the attention of Catalyst, then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE BY 2014 NOTEHOLDERS**

5. The 2014 Noteholders' Meeting Materials shall be deemed, for the purposes of this Order, to have been received by the 2014 Noteholders:

- (a) in the case of mailing, when deposited in a post office or public letter box;
- (b) in the case of delivery in person, upon personal delivery or upon delivery to the 2014 Noteholders' address as it appears on the applicable securities register of Catalyst as at the 2014 Noteholders' Record Date; and

in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

6. In the event that amendments, revisions or supplements ("Additional Information") are made to the 2014 Noteholders' Meeting Materials following the mailing in accordance with a further order of this Court, Catalyst shall distribute such Additional Information by press release.

#### **PERMITTED ATTENDEES AT 2014 NOTEHOLDERS' MEETING**

7. The only persons entitled to attend the 2014 Noteholders' Meeting shall be the 2014 Noteholders as of the 2014 Noteholders' Record Date or their respective proxyholders; Initial Supporting Unsecured Noteholders as defined in the RSA and their respective financial and legal advisors; the members of the Steering Group as defined in the RSA and their respective financial and legal advisors; Catalyst's directors, officers, auditors and their respective financial

and legal advisors; and any other person admitted on the invitation of the Chair or with the consent of the 2014 Noteholders' Meeting. The only persons entitled to be represented and to vote at the 2014 Noteholders' Meeting shall be the 2014 Noteholders as at the close of business on the 2014 Noteholders' Record Date, or their respective proxyholders.

#### **2014 NOTEHOLDERS' QUORUM AND VOTING**

8. The quorum for the 2014 Noteholders' Meeting shall be two or more 2014 Noteholders entitled to vote, present in person or represented by proxy.

9. The votes taken at the 2014 Noteholders' Meeting shall be taken on the basis of one vote for each \$1.00 principal amount of the amounts owing to the 2014 Noteholders on account of principal pursuant to and under the 2014 Notes as at the 2014 Noteholders' Record Date. Illegible ballots, spoiled ballots, defective ballots and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the 2014 Noteholders' Arrangement Resolution.

10. The 2014 Noteholders' Arrangement Resolution must be passed at the 2014 Noteholders' Meeting by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast in respect of the 2014 Noteholders' Arrangement Resolution by the 2014 Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the 2014 Noteholders' Meeting.

#### **SOLICITATION OF 2014 NOTEHOLDERS' PROXIES**

11. Catalyst is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

12. Any proxy to be used at the 2014 Noteholders' Meeting must be received by CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail prior to 9:00 a.m. (Vancouver Time) on March 6, 2012. Notwithstanding the foregoing, Catalyst may waive, but has no

obligation to do so, the time limit for the deposit of proxies by the 2014 Noteholders if Catalyst deems it advisable to do so.

13. Any 2014 Noteholder will be entitled to revoke a proxy given at any time prior to the exercise thereof at the 2014 Noteholders' Meeting by:

- (a) depositing an instrument in writing executed by such 2014 Noteholder or by an attorney authorized in writing, or, if the 2014 Noteholder is a corporation, by a duly authorized officer or attorney thereof, at CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail at any time up to and including the last business day preceding the 2014 Noteholders' Meeting, or with the Secretary of the 2014 Noteholders' Meeting on the day of the applicable 2014 Noteholders' Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

#### **2016 NOTEHOLDERS' MEETING**

14. In accordance with the provisions and requirements of the RSA, Catalyst shall call, and hold and conduct a special meeting of the holders of 11% senior secured notes and Class B 11% senior secured notes (collectively, the "2016 Notes") due December 15, 2016 (the "2016 Noteholders") issued pursuant to the indentures dated March 10, 2010 and May 19, 2010 (the "2016 Indentures") at 9:30 a.m. (Vancouver time) on March 8, 2012 at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, or at such other time or place as Catalyst may set out in the Circular (the "2016 Noteholders' Meeting"), at which the 2016 Noteholders will be asked to, among other things:

- (a) consider, and if thought advisable, to pass, with or without variation, a resolution (the "2016 Noteholders' Arrangement Resolution") approving the Proposed Arrangement pursuant to Section 192 of the CBCA and as will be more particularly described in the Circular to be approved by the Court; and

- (b) transact such other business as may properly come before the 2016 Noteholders' Meeting or any adjournment thereof.

#### **2016 NOTEHOLDERS' RECORD DATE**

15. The record date for entitlement to notice of the 2016 Noteholders' Meeting and for entitlement to vote at the Noteholders' Meeting shall be February 1, 2012 (the "2016 Noteholders' Record Date"), as previously approved by the Board of Directors of Catalyst.

#### **NOTICE OF 2016 NOTEHOLDERS' MEETING**

16. The Circular, form of proxy, Notice of Hearing of Final Application and a Notice of Meeting of 2016 Noteholders (the "2016 Noteholders' Meeting Materials") in a form to be approved by the Court, shall be sent to:

- (a) the 2016 Noteholders as they appear on the applicable securities register of Catalyst as at the 2016 Noteholders' Record Date, at least twenty-one (21) days prior to the date of the 2016 Noteholders' Meeting, by one or more of the following methods:
  - (i) by prepaid ordinary or first class mail addressed to the 2016 Noteholder at his, her or its address as it appears on the applicable securities register of Catalyst as at the 2016 Noteholders' Record Date;
  - (ii) by delivery in person, or by delivery to the addresses specified in subparagraph (i) above; or
  - (iii) by email or facsimile transmission to any 2016 Noteholder who identifies himself, herself or itself to the satisfaction of Catalyst, acting through its representatives, who requests such email or facsimile transmission; and
- (b) in the case of non-registered 2016 Noteholders, by providing copies of the 2016 Noteholders' Meeting Materials to intermediaries and registered nominees for sending to both non-objecting beneficial owners and objecting beneficial owners in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities

Administrators at least three (3) Business Days prior to the twenty-first (21<sup>st</sup>) day prior to the date of the 2016 Noteholders' Meeting.

and substantial compliance with this paragraph shall constitute good and sufficient notice of the 2016 Noteholders' Meeting.

17. Accidental failure of or omission by Catalyst to give notice to any one or more of the 2016 Noteholders or the non-receipt of such notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Catalyst (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order, or in relation to notice to 2016 Noteholders, a defect in the calling of the 2016 Noteholders' Meeting, and shall not invalidate any resolution passed or proceedings taken at the 2016 Noteholders' Meeting, but if any such failure or omission is brought to the attention of Catalyst, then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE**

18. The 2016 Noteholders' Meeting Materials shall be deemed, for the purposes of this Order, to have been received by the 2016 Noteholders:

- (a) in the case of mailing, when deposited in a post office or public letter box;
- (b) in the case of delivery in person, upon personal delivery or upon delivery to the 2016 Noteholders' address as it appears on the applicable securities register of Catalyst as at the 2016 Noteholders' Record Date; and

in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

19. In the event that amendments, revisions or supplements ("Supplemental Information") are made to the 2016 Noteholders' Meeting Materials following the mailing in accordance with a further order of this Court, Catalyst shall distribute such Supplemental Information by press release.

**PERMITTED ATTENDEES AT 2016 NOTEHOLDERS' MEETING**

20. The only persons entitled to attend the 2016 Noteholders' Meeting shall be the 2016 Noteholders as of the 2016 Noteholders' Record Date or their respective proxyholders; the members of the Steering Group and their respective financial and legal advisors; the Initial Supporting Unsecured Noteholders and their respective financial and legal advisors; Catalyst's directors, officers, auditors and their respective financial and legal advisors; and any other person admitted on the invitation of the Chair or with the consent of the 2016 Noteholders present or represented at the 2016 Noteholders' Meeting. The only persons entitled to be represented and to vote at the 2016 Noteholders' Meeting shall be the 2016 Noteholders as at the close of business on the 2016 Noteholders' Record Date, or their respective proxyholders.

**2016 NOTEHOLDERS' QUORUM AND VOTING**

21. The quorum for the 2016 Noteholders' Meeting shall be two or more 2016 Noteholders entitled to vote, present in person or represented by proxy.

22. The votes taken at the 2016 Noteholders' Meeting shall be taken on the basis of one vote for each \$1.00 principal amount of the amounts owing to the 2016 Noteholders on account of principal pursuant to and under the 2016 Notes as at the 2016 Noteholders' Record Date. Illegible ballots, spoiled ballots, defective ballots and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the 2016 Noteholders' Arrangement Resolution.

23. The 2016 Noteholders' Arrangement Resolution must be passed at the 2016 Noteholders' Meeting by the affirmative vote of not less than 66⅔% of the votes cast in respect of the 2016 Noteholders' Arrangement Resolution by the 2016 Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the 2016 Noteholders' Meeting.

**SOLICITATION OF 2016 NOTEHOLDERS' PROXIES**

24. Catalyst is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for

the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

25. Any proxy to be used at the 2016 Noteholders' Meeting must be received by CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail prior to 9:30 a.m. (Vancouver Time) on March 6, 2012. Notwithstanding the foregoing, Catalyst may waive, but has no obligation to do so, the time limit for the deposit of proxies by 2016 Noteholders if Catalyst deems it advisable to do so.

26. Any 2016 Noteholder will be entitled to revoke a proxy given at any time prior to the exercise thereof at the 2016 Noteholders' Meeting by:

- (a) depositing an instrument in writing executed by such 2016 Noteholder or by an attorney authorized in writing, or, if the 2016 Noteholder is a corporation, by a duly authorized officer or attorney thereof, at CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail at any time up to and including the last business day preceding the 2016 Noteholders' Meeting, or with the Secretary of the 2016 Noteholders' Meeting on the day of the applicable 2016 Noteholders' Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

#### **COMPLIANCE WITH CBCA**

27. The 2014 Noteholders' Meeting and the 2016 Noteholders' Meeting (collectively, the "Noteholders' Meetings") shall be held and conducted in accordance with the CBCA, the RSA, the Circular and the articles and by-laws of Catalyst, subject to the terms of this Interim Order, and any further Order of this Court, and the rulings and directions of the respective Chair of the Noteholders' Meetings, such rulings and directions not to be inconsistent with this Interim Order and to the extent of any inconsistency or discrepancy, this Interim Order shall govern or, if not specified in the Interim Order, the Circular shall govern.



28. The calling, holding and conduct of the Noteholders' Meetings as contemplated in this Interim Order shall constitute compliance by Catalyst with the provisions of the CBCA relating to the calling, holding and conduct of the Noteholders' Meetings and such notice shall be sufficient for the purposes of approval of the Proposed Arrangement by the 2014 Noteholders and 2016 Noteholders (collectively, the "Noteholders") and no further notice need be given to the Noteholders for the purposes of considering the 2014 Noteholders' Arrangement Resolution or the 2016 Noteholders' Arrangement Resolution.

29. In all other respects, the terms, restrictions and conditions of the articles and by-laws of Catalyst will apply in respect of the Noteholders' Meetings.

#### **ADJOURNMENT**

30. Catalyst, if it deems advisable, is specifically authorized to adjourn or postpone the Noteholders' Meetings on one or more occasions, without the necessity of first convening the Noteholders' Meetings or first obtaining any vote of the Noteholders, as applicable, respecting the adjournment or postponement and without the need for approval of the Court, provided however, that any such adjournment shall not exceed the applicable timeframes set forth in the RSA. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to the Noteholders, as appropriate, by one of the methods specified in paragraphs 3 and 16 of this Interim Order.

31. The Initial Supporting Unsecured Noteholders or the Initial Supporting Noteholders, or their proxyholders or respective legal advisors, as applicable, are specifically authorized to, if they deem advisable, adjourn or postpone, in the case of the Initial Supporting Unsecured Noteholders, the 2014 Noteholders' Meeting or in the case of the Initial Supporting Noteholders, the 2016 Noteholders' Meeting, as applicable, on one or more occasions, without the necessity of first convening the applicable Noteholders' Meeting and without the need for approval of the Court, provided however, that any such adjournment shall not exceed the applicable timeframes set forth in the RSA. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to Catalyst and the Noteholders, as appropriate, by one of the methods specified in paragraphs 3 and 16 of this Interim Order.

32. The 2014 Noteholders' Record Date and 2016 Noteholders' Record Date shall not change in respect of adjournments or postponements of either of the Noteholders' Meetings.

### SCRUTINEERS

33. A representative of Catalyst's registrar and transfer agent (or any agent thereof) is authorized to act as scrutineer for the Noteholders' Meetings.

### STAY OF PROCEEDINGS

34. No person including, without limitation, any Noteholder or any Trustee that is a party to the 2014 Indenture or the 2016 Indentures, shall have any rights to terminate, accelerate, amend or declare in default any contract or other agreement, including, without limitation, the Indentures, to which any of the Petitioners or the Impleaded Parties are a party, due to the Petitioners or Impleaded Parties having made an Application to this Court pursuant to Section 192 of the *CBCA* being a party to, or subject to, this Proceeding, or having failed to make any interest or other payments during the period prior to such time as within the Proposed Arrangement is approved by the Court and implemented by the Petitioners, other than obligations owing under the Asset-Based Lending Facility provided by J.P. Morgan Chase Bank N.A., J.P. Morgan Securities LLC and CIBC Asset Based Lending Inc. (the "ABL Facility").

35. Any interested party may apply to this Court for relief from paragraph 34 of this Order on not less than five (5) days' notice to the Petitioners, all parties who have filed a response and to any other party or parties likely to be affected by the Order sought or upon such other notice, if any, as this Court may order.

36. Catalyst shall in all respects comply with the RSA and its various obligations thereunder and nothing in this Order shall be construed as waiving or modifying any of the rights, commitments or obligations of Catalyst and the Initial Supporting Noteholders under the RSA. Without limiting the foregoing and for greater certainty, the Stay of Proceedings referred to in paragraph 34 herein shall no longer apply to the Initial Supporting Noteholders or either Trustee under the 2014 Notes or the 2016 Notes in the event of a breach by Catalyst, or the termination, of the RSA.

**FEBRUARY 3, 2012 HEARING**

37. A hearing be held on February 3, 2012 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or at such other date and time as this Court may direct (the "February 3<sup>rd</sup> Hearing"). At the February 3<sup>rd</sup> Hearing the Petitioners shall be permitted to apply to this Court for the following orders and declarations:

- (a) An order that the Circular be deemed to represent sufficient and adequate disclosure, including for the purpose of section 192 of the CBCA, and Catalyst shall not be required to send to the 2014 Noteholders or 2016 Noteholders any other or additional statement pursuant to section 192 of the CBCA;
- (b) An order approving a form of proxy that Catalyst is authorized to use in connection with the Noteholders' Meetings;
- (c) An order approving January 27, 2012, or such other date as disclosed by Catalyst in a press release, as the early consent date ("Early Consent Date") for the purposes of the Proposed Arrangement and consideration allocated thereunder;
- (d) A declaration that a vote of the holders of common shares ("Common Shares") in the capital of Catalyst ("Shareholders") is not required for court approval of the Proposed Arrangement pursuant to section 192(4)(e) of the CBCA; and
- (e) Such further and other relief as counsel for the Petitioners may advise and this Court may deem just.

38. On or before January 20, 2012, the Petitioners shall:

- (a) post the Petition, the Catalyst Affidavit, this Interim Order, the Proposed Arrangement Term Sheet, the Notice of February 3, 2012 Hearing and the Notice of Hearing of Final Application (collectively, the "Notice Documents") on Catalyst's website, publically available at [www.catalystpaper.com](http://www.catalystpaper.com);
- (b) file the Notice Documents on the System for Electronic Document Analysis and Retrieval more commonly known as SEDAR on Catalyst's profile, publicly available on the internet at [www.sedar.com](http://www.sedar.com);

- (c) issue a press release identifying the orders and declarations that will be sought at the February 3, 2012 Hearing and directing Shareholders and other interested persons to the above websites where the Notice Documents may be viewed or obtained;
  - (d) deliver the Notice Documents to Third Avenue Management Ltd.; and
  - (e) cause to be published in The Globe and Mail the information contained in the Notice of February 3, 2012 Hearing.
- (collectively, the "Substituted Service Steps")

39. The Petitioner shall deliver a copy of the Notice Documents to any Shareholder, Noteholder or interested person who requests a copy.

40. The Petitioners are at liberty to file further evidence in support of its application for the relief sought at the February 3<sup>rd</sup> Hearing by delivery of such material in accordance with the substitutional service process set out in paragraphs 38 (a), (b) and (d) of this Order by 4:00 pm on January 26, 2012.

41. Catalyst's compliance with the Substituted Service Steps and paragraph 40 shall constitute good and sufficient service upon all interested persons including the 2014 Noteholders, 2016 Noteholders and the Shareholders of the Notice of February 3, 2012 Hearing and this Interim Order and no other form of service need be made and no other material need be served on such persons. In particular, service of the Petition herein and the accompanying Catalyst Affidavit and additional Affidavits as may be filed, is dispensed with.

42. Any Shareholder seeking to appear at the February <sup>MA</sup>3, 2012 Hearing shall:

- (a) file a Response to Petition, in the form prescribed by the *Supreme Court Civil Rules*, with this Court; and
- (b) deliver the filed Response to Petition to the Petitioners' solicitors and any material to be relied upon at the following address:

BLAKE, CASSELS & GRAYDON LLP  
Suite 2600, Three Bentall Centre  
595 Burrard Street, P.O. Box 49314  
Vancouver, B.C. V7X 1L3

Attention: Bill Kaplan, Q.C. and Sean K. Boyle

by or before 4:00 p.m. (Vancouver time) on February 1, 2012,

with copies to:

Akin Gump Strauss Hauer & Feld LLP  
One Bryant Park  
New York, NY 10036  
Attention: Michael S. Stamer, Esq. and Meredith Lahaie  
E-mail addresses: [mstamer@akingump.com](mailto:mstamer@akingump.com) and [mlahaie@akingump.com](mailto:mlahaie@akingump.com)

and

Fraser Milner Casgrain LLP  
Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 0A1  
Attention: Ryan C. Jacobs, Esq. and John R. Sandrelli  
E-mail address: [ryan.jacobs@fmc-law.com](mailto:ryan.jacobs@fmc-law.com) and [john.sandrelli@fmc-law.com](mailto:john.sandrelli@fmc-law.com)

and

Goodmans LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7  
Attention: Robert Chadwick and Melaney Wagner  
E-mail address: [rchadwick@goodmans.ca](mailto:rchadwick@goodmans.ca) and [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca)

43. In the event the February 3<sup>rd</sup> Hearing is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Order need be served and provided with notice of further materials filed herein and the adjourned hearing date.

## APPLICATION FOR FINAL ORDER

44. Upon the approval, with or without variation, by the Noteholders of the Proposed Arrangement, or if required by the Court, the Shareholders, in the manner set forth in this Interim Order or any further orders, the Petitioners shall be permitted to apply to this Court for an Order:

- (a) pursuant to CBCA Section 192(4)(e) approving the Proposed Arrangement;
- (b) pursuant to CBCA Section 192(4)(e) declaring that the terms and conditions of the Proposed Arrangement are fair and reasonable; and
- (c) for such further and other relief as counsel for the Petitioners may advise and this Court may deem just.

(collectively, the "Final Order")

and that the hearing of the Final Order will be held on March 13, 2012 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smith Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

45. The form of Notice of Hearing of Final Application is hereby approved as the form of notice of proceedings for such approval. Any Noteholder or any other person affected by these proceedings has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order.

46. Any Noteholder, Shareholder or any other person affected by these proceedings seeking to appear at the hearing of the application for the Final Order shall:

- (a) file a Response to Petition, in the form prescribed by the *Supreme Court Civil Rules*, with this Court; and
- (b) deliver the filed Response to Petition to the Petitioners' solicitors at the following address:

BLAKE, CASSELS & GRAYDON LLP  
Suite 2600, Three Bentall Centre  
595 Burrard Street, P.O. Box 49314  
Vancouver, B.C. V7X 1L3

Attention: Bill Kaplan, Q.C. and Sean K. Boyle

by or before 4:00 p.m. (Vancouver time) on March 9, 2012,

with copies to:

Akin Gump Strauss Hauer & Feld LLP  
One Bryant Park  
New York, NY 10036  
Attention: Michael S. Stamer, Esq. and Meredith Lahaie  
E-mail addresses: [mstamer@akingump.com](mailto:mstamer@akingump.com) and [mlahaie@akingump.com](mailto:mlahaie@akingump.com)

and

Fraser Milner Casgrain LLP  
Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 0A1  
Attention: Ryan C. Jacobs, Esq. and John R. Sandrelli  
E-mail address: [ryan.jacobs@fmc-law.com](mailto:ryan.jacobs@fmc-law.com) and [john.sandrelli@fmc-law.com](mailto:john.sandrelli@fmc-law.com)

and

Goodmans LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7  
Attention: Robert Chadwick and Melaney Wagner  
E-mail address: [rchadwick@goodmans.ca](mailto:rchadwick@goodmans.ca) and [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca)

47. Sending the Notice of Hearing of Final Application and this Interim Order in accordance with paragraphs 3 and 16 of this Interim Order shall constitute good and sufficient service of the within proceedings and no other form of service need be made and no other material need be served on such persons in respect of these proceedings. In particular, service of the Petition herein and the accompanying Catalyst Affidavit and additional Affidavits as may be filed, is dispensed with other than complying with the Substituted Service Steps. Any Noteholder, Shareholder or other person affected by these proceedings who files and delivers to

counsel for the Petitioners a Response to Petition herein, shall be entitled to receive, if so requested, documents filed in these proceedings after the date the Response to Petition is filed and delivered.

48. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Interim Order need be served and provided with notice of further materials filed herein and the adjourned hearing date.

#### **GENERAL**

49. Other than the Proposed Arrangement Term Sheet and the RSA, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the 2014 Notes or 2016 Notes or the articles or by-laws of Catalyst, this Interim Order shall govern.

50. The Petitioners respectfully seek and request the aid and recognition of any court or any judicial, regulatory or administrative body constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States of America (including, without limitation, in the United States Bankruptcy Court), to act in aid of and to assist this Court in carrying out the terms of this Interim Order where required, and to grant representative status to Catalyst on behalf of any or all of the Petitioners and the Impleaded Parties listed herein at Schedule "A", in any foreign proceeding.

51. Subject to paragraph 36 of this Order and in a manner consistent with the RSA, Catalyst shall be authorized and empowered, but not required to (i) apply as they may consider necessary or desirable, with or without notice, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize the Interim Order and/or to assist in carrying out the terms of the Interim Order and any subsequent orders of this Court including, without limitation to the foregoing, any relief under Chapter 15 of the U.S. Bankruptcy Code (the "Chapter 15 Relief"), and (ii) act as a representative in respect of these proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada, including, without limitation, acting as a foreign representative of Catalyst and any or all of the Petitioners and the Impleaded Parties in connection with any Chapter 15 Relief.

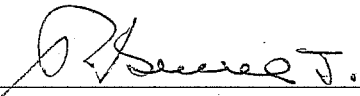


52. British Columbia is the Centre of Main Interest of Catalyst and its subsidiaries, including, but not limited, to the Petitioners and Impleaded Parties.

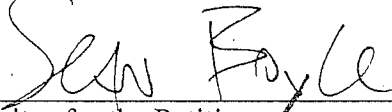
53. Subject to paragraph 36 of this Order, the Petitioners shall be entitled, at any time, to apply to vary this Order.

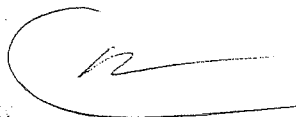
54. Rule 8-1 of the *Supreme Court Civil Rules* will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

BY THE COURT


  
Registrar

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS NOTED ABOVE:

  
Solicitor for the Petitioners  
Bill Kaplan, Q.C.

  
Certified a true copy according to  
the records of the Supreme Court  
at Vancouver, B.C.

This 17 day of January 2012

  
Authorized Signing Officer

**SCHEDULE "A"****LIST OF IMPEADED PARTIES**

Catalyst Pulp and Paper Sales Inc.

Catalyst Paper Energy Holdings Inc.

0606890 B.C. Ltd.

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

Elk Falls Pulp and Paper Limited

Pacifica Poplars Ltd.

Catalyst Paper Holdings Inc.

Catalyst Paper (USA) Inc.

Pacifica Poplars Inc.

Pacifica Papers Sales Inc.

Pacifica Papers U.S. Inc.

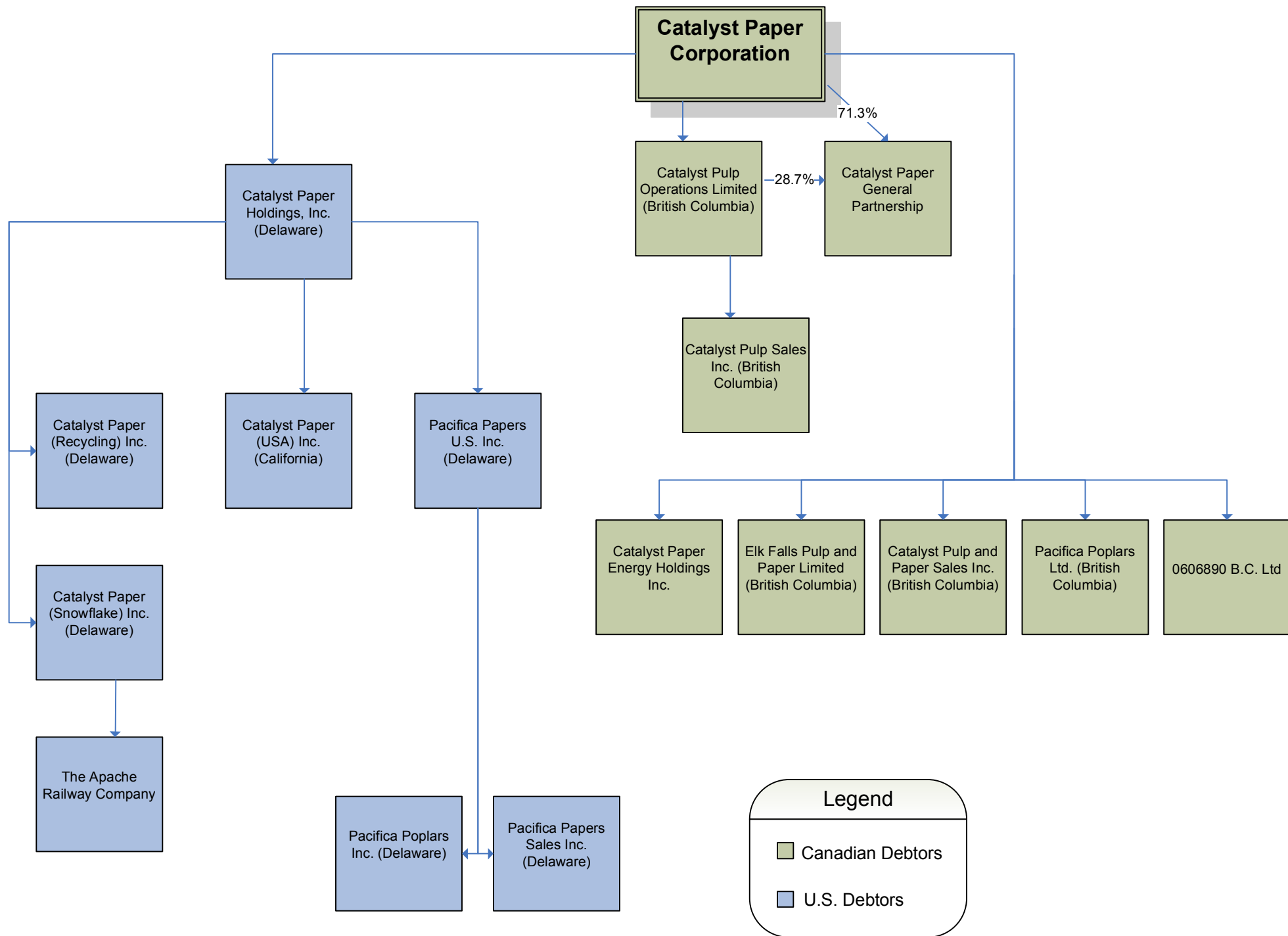
Catalyst Paper (Snowflake) Inc.

Catalyst Paper Recycling Inc.

The Apache Railway Company

Catalyst Paper General Partnership

## **EXHIBIT B**



## **EXHIBIT C**

## RESTRUCTURING AND SUPPORT AGREEMENT

This RESTRUCTURING AND SUPPORT AGREEMENT is made and entered into as of January 14, 2012 (this “**Agreement**”) by and among (i) Catalyst Paper Corporation (“**CPC**”) and certain of its subsidiaries and affiliates (collectively, the “**Applicants**” or “**Debtors**”); and (ii) the undersigned holders or investment advisers or managers of discretionary accounts that hold the 2016 Notes (as defined below) or 2014 Notes (as defined below) (each, an “**Initial Supporting Noteholder**” and the majority of Initial Supporting Noteholders, where each Initial Supporting Noteholder will have one vote and a majority of votes will govern, the “**Majority Initial Supporting Noteholders**”).<sup>1</sup> The Debtors, each Initial Supporting Noteholder and each person or entity that becomes a party hereto in accordance with the terms hereof are collectively referred to as the “**Parties**” and individually as a “**Party**.”

### RECITALS

**WHEREAS**, the Debtors and the Initial Supporting Noteholders are negotiating restructuring and recapitalization transactions with respect to the capital structure of the Debtors, including the Debtors’ obligations under: (i) the 11% Senior Secured Notes due December 15, 2016 (the “**Senior Secured Notes**”) issued by CPC pursuant to that certain Indenture, dated as of March 10, 2010 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Senior Secured Notes Indenture**”), by and among CPC, as issuer, certain of its affiliates, as guarantors, Wilmington Trust FSB, as trustee (in such capacity, the “**2016 Trustee**”), and Computershare Trust Company of Canada, as collateral trustee (in such capacity, the “**Collateral Trustee**”); (ii) the Class B 11% Senior Secured Notes due December 15, 2016 (the “**Class B Senior Secured Notes**,” and, together with the Senior Secured Notes, the “**2016 Notes**”) issued by CPC pursuant to that certain Indenture, dated as of May 19, 2010 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Class B Indenture**,” and, together with the Senior Secured Notes Indenture, the “**2016 Indentures**”), by and among CPC, as issuer, certain of its affiliates, as guarantors, the 2016 Trustee and the Collateral Trustee; and (iii) the 7.375% Senior Notes due March 1, 2014 (the “**2014 Notes**” and together with the 2016 Notes, the “**Notes**”) issued by CPC pursuant to that certain Indenture, dated as of March 23, 2004 (as amended, restated, supplemented, or otherwise modified from time to time, the “**2014 Indenture**”), by and among CPC, as issuer, certain of its affiliates, as guarantors, and Wells Fargo Bank, National Association, as trustee (the “**2014 Trustee**”), pursuant to the terms and conditions set forth in the Restructuring Term Sheet attached hereto as Exhibit A (the “**Term Sheet**”) and in this Agreement which are intended to form the basis of (i) a plan of arrangement (a “**Plan**” and, together with any Plan in a CCAA Plan Proceeding or the US Cases (each as defined herein) consistent in all respects with the Term Sheet and this Agreement, the “**Plans**”) in connection with proceedings to be commenced under section 192 of the *Canada Business Corporations Act* (the “**CBCA**”) and, subsequently, chapter 15 of title 11 of the United States Bankruptcy Code (the “**Bankruptcy Code**”) or, alternatively (ii) proceedings commenced pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) and the Bankruptcy Code, as set forth more specifically in this Agreement and the Term Sheet (collectively, the “**Transactions**”);

---

<sup>1</sup> For the avoidance of doubt, the Initial Supporting Noteholders shall not include those holders of 2014 Notes or 2016 Notes who execute one or more Joinder Agreements (as contemplated below).

---

**NOW, THEREFORE**, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

## ***AGREEMENT***

### **Section 1.       *Agreement Effective Date and Joinder.***

1.1       Agreement Effective Date. This Agreement shall become effective and binding upon each of the Parties at 12:01 a.m., New York City time, on the date on which counterpart signature pages of this Agreement shall have been executed by the Debtors and delivered to Akin Gump and Goodmans and counterpart signature pages of this Agreement shall have been executed by one or more Initial Supporting Noteholders and delivered to the Debtors (the “***Agreement Effective Date***”).

1.2       Joinder. Each holder of Notes or investment adviser or manager of discretionary accounts that hold the Notes that is not a Consenting Noteholder and which executes a Joinder Agreement substantially in the form attached hereto as Exhibit B shall be deemed, as of the date of such execution, for all purposes of this Agreement to be a Party to this Agreement as a Consenting Noteholder, and this Agreement shall be deemed to have been amended as of such date to include such holder of Notes or investment adviser or manager of discretionary accounts that hold the Notes as a Consenting Noteholder; provided that, except as expressly amended as contemplated by this section, each provision of this Agreement shall remain in full force and effect, unamended.

**Section 2.       *Term Sheet.*** The Term Sheet is expressly incorporated herein and is made part of this Agreement. The general terms and conditions of the Transactions are set forth in the Term Sheet; provided, however, that the Term Sheet is supplemented by the terms and conditions of this Agreement. In the event of any inconsistencies between the terms of this Agreement and the Term Sheet, this Agreement shall govern. Capitalized terms used but not defined herein have the meanings set forth in the Term Sheet.

### **2.1       Consent Rights**

(a)       Notwithstanding anything to the contrary contained in this Agreement, the following consent and consultation rights regarding certain aspects of the Transactions as set forth in this Section 2.1 shall apply (terms not otherwise defined herein shall have the meanings ascribed to such terms in the Term Sheet):

(i)       The following shall be acceptable to (A) the Majority Initial Supporting Noteholders and (B) all holders of 2014 Notes that have executed this Agreement (as distinct from a Joinder Agreement) as of January 14, 2012 (collectively, the “***Initial Supporting Unsecured Noteholders***”): (1) the securities exchange on which the New Common Stock and the New Warrants shall be listed; (2) the terms of the Warrant Agreement; (3) the corporate governance documents of reorganized CPC and the reorganized Debtor subsidiaries; (4) the Transaction Documents; and (5) the Initial Order.

(ii) The following shall be acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders: (A) the Exit Facility, to the extent necessary; and (B) the treatment of unexpired leases and executory contracts.

(iii) The Debtors' new labor contracts and/or collective bargaining agreements shall be acceptable to the Debtors and not objected to by the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders; *provided, however*, that the Debtors shall provide the Majority Initial Supporting Noteholders with not less than 3 business days from the date on which all relevant materials pertaining to the new labor agreements are provided to counsel to the Majority Initial Supporting Noteholders to determine whether to object to such new labor agreements. All relevant materials pertaining to the new labor agreements shall also be provided to counsel for the Initial Supporting Unsecured Noteholders.

(iv) In the event that an Initial Supporting Noteholder sells the entirety of its Notes holdings: (i) to a single transferee that executes a Joinder Agreement in respect of the Initial Supporting Noteholder's entire position, the transferee shall be deemed an Initial Supporting Noteholder in the place of the transferor unless a majority of the remaining Initial Supporting Noteholders does not agree to admit such person as an Initial Supporting Noteholder; or (ii) to multiple transferees that execute Joinder Agreements, the transferee's position as an Initial Supporting Noteholder will be determined by a majority of the remaining Initial Supporting Noteholders.

(b) This Section 2.1 may not be amended, modified or waived without the express written consent of the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders.

### Section 3. ***Commitments Regarding the Transactions.***

#### 3.1 Support of the Transactions and the Plans.

(a) As long as this Agreement has not been terminated in accordance with the terms hereof, each Initial Supporting Noteholder and each holder of 2014 Notes and/or 2016 Notes who executes a Joinder Agreement (such holders, together with the Initial Supporting Noteholders, the "***Consenting Noteholders***") agrees, in compliance with the timeframes set forth in this Agreement, that it shall, subject to the terms and conditions contained herein:

(i) on a timely basis, negotiate in good faith all documentation relating to the Transactions, including all solicitation material in respect of the Plans (collectively, the "***Solicitation Materials***" and together with the Plans, court materials and all other documentation relating to the Transactions, the "***Transaction Documents***"), which Transaction Documents shall contain provisions consistent in all respects with the Term Sheet and this Agreement and shall contain such other provisions as are reasonably satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders;



(ii) permit all necessary disclosures in the Solicitation Materials of the contents of this Agreement, including but not limited to the aggregate principal amount of outstanding 2016 Notes, 2014 Notes and, if applicable, common shares of CPC (“**Common Shares**”) held by the Consenting Noteholders;

(iii) support the Plans and the transactions contemplated thereby, including without limitation (A) by indicating in court its support for the Transactions and the Plans; (B) by voting its claims (within the meaning of section 101 of the Bankruptcy Code and any comparable provisions of Canadian law, its “**Claims**”) against the Debtors with respect to the 2016 Notes, 2014 Notes and, if applicable, Common Shares held by the Consenting Noteholders to accept the Plans by delivering its duly executed and completed ballot accepting such Plans on a timely basis, and in any event within the period for responses specified in the Solicitation Materials, following the commencement of the solicitation and its actual receipt of the applicable Solicitation Materials; and (C) by not changing or withdrawing (or causing to be changed or withdrawn) such favorable vote; and

(iv) not, directly or indirectly, in any material respect, (A) object to, delay, impede, or take any other action to interfere with confirmation or consummation of the Plans and acceptance or implementation of the Transactions or (B) propose, file, support, solicit or vote for any restructuring, workout, plan of arrangement, or plan of reorganization for the Debtors, other than the Plans.

(b) Each Consenting Noteholder also agrees that unless this Agreement is terminated in accordance with the terms hereof, it will not, directly or indirectly, exercise any right or remedy for the enforcement, collection, acceleration or recovery of any of the 2016 Notes or 2014 Notes against the Debtors that is materially inconsistent with the Term Sheet and this Agreement or instruct the 2016 Trustee or the 2014 Trustee to take any such action with respect to the 2016 Notes or 2014 Notes, respectively, that is materially inconsistent with the Term Sheet and this Agreement; provided, however, that, except as otherwise set forth in this Agreement, the foregoing prohibition will not limit any Consenting Noteholders’ rights under any applicable indenture, credit agreement, other loan document, and/or applicable law to: (A) terminate or close out any swap agreement, repurchase agreement, or similar transaction with the Debtors to the extent the underlying agreement permits such termination or close-out or (B) appear and participate as a party in interest in any matter to be adjudicated in any case under the Bankruptcy Code, CBCA or CCAA, as applicable, concerning the Debtors, so long as such appearance and the positions advocated in connection therewith are not materially inconsistent with the Plans, this Agreement and such Consenting Noteholder’s obligations hereunder.

### 3.2 Commitment of Debtors.

(a) As long as this Agreement has not been terminated in accordance with the terms hereof and as otherwise provided herein, each of the Debtors agrees, in compliance with the timeframes set forth in this Agreement, that it shall, subject to the terms and conditions contained herein:

- (i) support and complete the Transactions embodied in the Term Sheet and this Agreement;
- (ii) do all things necessary and appropriate in furtherance of the Transactions embodied in the Term Sheet and this Agreement, including, without limitation:

(A) filing on or before February 3, 2012 an application for an interim order (the “**Interim Order**”, which for the purposes of Section 3.2 and 6.1 hereof, does not include an interim order that may be sought in advance for an interim stay of proceedings but not for a solicitation of votes on a CBCA Plan) under section 192 of the CBCA (the “**CBCA Proceeding**”) in the Supreme Court of British Columbia, Vancouver Registry (the “**Canadian Court**”) to achieve the following timeline:

(1) holding meetings of the holders of the 2016 Notes and 2014 Notes no later than 35 days following the entry of the Interim Order (the “**Voting Meetings**”);

(2) (x) obtaining a consent resolution of existing shareholders (by a simple majority) as required to issue the New Common Stock (as defined in the Term Sheet) pursuant to the TSX rules on or before the Shareholder Vote Date (as defined below) (the “**Shareholder Resolution**”), (y) obtaining an order of the Canadian Court or other exemption under applicable law providing that no vote or meeting of the existing shareholders is required, on or before the Shareholder Vote Date (the “**Shareholder Order**”), or (z) holding a meeting of existing shareholders not later than 35 days after the entry of the Interim Order (the “**Shareholder Vote**” and the “**Shareholder Vote Date**”); and

(3) obtaining final approval of the Plan by the Canadian Court by no later than 40 days following entry of the Interim Order (the “**Final Order**”);

(4) implementing the Transactions pursuant to the Plan by no later than three business days (which shall mean, for purposes of this Agreement, any day other than a Saturday, Sunday or a day on which banks in New York, Toronto or Vancouver are authorized or obligated by applicable law to close or otherwise are generally closed) following entry of the Final Order (the “**CBCA Plan Implementation**”);

(B) provided that a CCAA Plan Proceeding (as defined herein) is not commenced, obtaining orders of the United States Bankruptcy Court for the District of Delaware (the “**US Court**”) under chapter 15 of the Bankruptcy Code, recognizing in full force and effect in the United States the Interim and Final Orders of the Canadian Court within 3 business days of entry of the Final Order;

(C) in the event the Debtors have not obtained the requisite votes or approvals by the deadlines set forth in Section 3.2(a)(ii)(A) hereof, the Debtors shall immediately (but no later than 3 business days after such deadlines) commence (i) an application for an initial order (the “**Initial Order**”) under the CCAA in form and substance satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders (the “**CCAA Plan Proceeding**”), and (ii) proceedings under the Bankruptcy Code (the “**US Cases**”) reasonably satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders; provided, however, that in such case, the Initial Order shall include: (a) any required provisions confirming that the votes cast in favor of the CBCA Plan shall stand as votes in favor of a CCAA Plan to implement a recapitalization and restructuring plan consistent in all respects with the Term Sheet under the CCAA; and (b) if necessary to meet the requisite threshold under the CCAA after the application of clause (a) above, a provision calling for meetings of the holders of the 2016 Notes and 2014 Notes, as applicable, to cast votes for the CCAA Plan (the “**CCAA Solicitation**”) in which case the Consenting Noteholders shall support and vote in favor of such CCAA Plan in the same manner and to the same extent they have agreed to support the Transactions under a CBCA Plan, and, as appropriate, the Company shall seek an order for sanction of such Plan under the CCAA; provided, further, however, that the CCAA Solicitation shall be completed within no later than 14 days after the commencement of the CCAA Plan Proceeding and if the statutory requisite thresholds for approval of the CCAA Plan are not achieved within such 14 days the CCAA Plan shall thereupon immediately be deemed to have failed, without further order of the Canadian Court (the “**CCAA Plan Failure**”). To the extent that the Debtors fail to commence a CCAA Plan Proceeding in accordance with the terms hereof, within 3 business days of the deadlines set forth in this Section 3.2(a)(ii)(C), the members of the steering group of 2016 Notes (the “**Steering Group**”) shall be entitled to seek the entry of the Initial Order in the form referred to in clause (i) of this Section 3.2(a)(ii)(C) and the Debtors and the Consenting Noteholders shall not contest the granting of such relief (the “**Steering Group Relief**”).

(iii) take all steps necessary and desirable to cause the effective date of any Plans to occur within the time frames contemplated by this Agreement;

(iv) cooperate and work in good faith with Akin Gump Strauss Hauer & Feld LLP (“**Akin Gump**”), Fraser Milner Casgrain LLP (“**FMC**”) and Goodmans LLP (“**Goodmans**”) to prepare or cause the preparation of the Solicitation Materials, Plans and all related materials and provide draft copies of such documents to Akin Gump, FMC and Goodmans within a reasonable amount of time prior to the solicitation of votes on a Plan or commencement of the CBCA Proceeding, CCAA Plan Proceeding and US Cases, as applicable;

(v) use commercially reasonable efforts (including recommending to shareholders, holders of the 2016 Notes and holders of the 2014 Notes that they vote to approve the Plans) to achieve the timelines in Section 3.2(a)(ii)(A) hereof;

(vi) obtain any and all required regulatory and/or third-party approvals for the Transactions embodied in the Term Sheet and this Agreement;

(vii) pursue, support and use commercially reasonable efforts to complete the Transactions in good faith, and use commercially reasonable efforts to do all things that are reasonably necessary and appropriate in furtherance of, and to consummate and make effective, the Transactions, including, without limitation, using commercially reasonable efforts to satisfy the conditions precedent set forth in this Agreement; and

(viii) not take any action that is materially inconsistent with, or is intended or is likely to interfere with consummation of, the restructuring and the Transactions embodied in the Term Sheet and this Agreement.

(b) Regardless of whether the Transactions are consummated, the Debtors shall promptly pay any and all documented and reasonable accrued and unpaid out-of-pocket expenses incurred by the Initial Supporting Noteholders in connection with the negotiation, documentation, and consummation of this Agreement, the Term Sheet, the Solicitation Materials, and all other documents related to the Plans and the Transactions. In addition, the Debtors shall pay all reasonable and documented fees and expenses of (i) Akin Gump, FMC, Moelis & Company, Goodmans, Houlihan Lokey Capital, Inc. and U.S. counsel to the Initial Supporting Unsecured Noteholders, in each case in accordance with applicable engagement letters in existence on the date hereof, and (ii) local counsel retained by each of the Steering Group and the Initial Supporting Unsecured Noteholders, in each case in accordance with applicable engagement letters entered into with CPC (provided that the Consenting Noteholders hereby acknowledge and agree that the Debtors shall not be liable for the fees and expenses of more than one local counsel in any single jurisdiction for each of (x) the Steering Group and (y) the Initial Supporting Unsecured Noteholders, collectively).

(c) The Debtors shall not institute or agree to any material increase in their pension obligations.

3.3 Transfer of Interests and Securities. Except as expressly provided herein, this Agreement shall not in any way restrict the right or ability of any Consenting Noteholder (a “**Transferor**”) to sell, use, assign, transfer or otherwise dispose of (“**Transfer**”) any of its 2016 Notes, 2014 Notes or Common Shares; provided, however, that for the period commencing as of the Agreement Effective Date or, in the case of a Joinder Agreement, the date of the Joinder Agreement until termination of this Agreement pursuant to the terms hereof, no Consenting Noteholder shall Transfer any 2016 Notes, 2014 Notes or Common Shares, and any purported Transfer of 2016 Notes, 2014 Notes or Common Shares shall be void and without effect, unless the transferee (a “**Transferee**”) is (a) a Consenting Noteholder or (b) prior to the Transfer, such Transferee delivers to the Debtors, Akin Gump and Goodmans, at or prior to the time of the proposed Transfer, an executed copy of the Joinder Agreement in the form attached hereto as Exhibit B pursuant to which such Transferee shall become a Party to, and bound by the terms and conditions of, this Agreement as a Consenting Noteholder in accordance with Section 1.2 of this Agreement in respect of the 2016 Notes, 2014 Notes and Common Shares being transferred. This Agreement shall in no way be construed to preclude the Consenting Noteholders from acquiring additional 2016 Notes, 2014 Notes or Common Shares; provided, however, that (a) any Consenting Noteholder that acquires additional 2016 Notes, 2014 Notes or Common Shares after executing this Agreement shall notify the Debtors, Akin Gump and Goodmans of such acquisition within two business days after the closing of such trade and shall disclose to the Debtors in writing the principal amount of any such 2016 Notes and 2014 Notes, and the number of such Common Shares, so acquired, and (b) additional 2016 Notes, 2014 Notes and Common Shares shall automatically and immediately upon acquisition by a Consenting Noteholder be deemed subject to all of the terms of this Agreement whether or not notice is given to the Debtors, Akin Gump or Goodmans of such acquisition.

3.4 Representations of Consenting Noteholders. Each of the Consenting Noteholders severally and not jointly represents and warrants that as of the date such Consenting Noteholder executes and delivers this Agreement:

(a) as of the Agreement Effective Date (or in the case of a Joinder Agreement, as of the date of such Joinder Agreement), (i) it is the sole beneficial owner of the outstanding principal amount of the 2016 Notes and 2014 Notes and the aggregate number of Common Shares, or is the nominee, investment manager, or advisor for beneficial holders of the 2016 Notes, 2014 Notes and Common Shares and has the power and authority to bind the beneficial holders of such 2016 Notes, 2014 Notes and Common Shares to the terms of this Agreement, as reflected in such Consenting Noteholder's signature block to this Agreement or the Joinder Agreement, as the case may be, which amount or number, as applicable, the Debtors and each Consenting Noteholder understands and acknowledges is proprietary and confidential to such Consenting Noteholder, and (ii) the principal amount of 2016 Notes and 2014 Notes, and the number of Common Shares, reflected in such Consenting Noteholder's signature block to this Agreement or the Joinder Agreement, as the case may be, constitutes all of the 2016 Notes, 2014 Notes and Common Shares that are legally or beneficially owned by such Consenting Noteholder or over which such Consenting Noteholder has the power to vote or dispose;

(b) other than pursuant to this Agreement and applicable law, such 2016 Notes, 2014 Notes and Common Shares are free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal or other limitation on disposition, or encumbrances of any kind, that would adversely affect in any way such Consenting Noteholder's performance of its obligations contained in this Agreement at the time such obligations are required to be performed;

(c) it is either (A) a qualified institutional buyer as defined in Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), or (B) an institutional accredited investor (as defined in Rule 501(a)(1), (2), (3), or (7) under the Securities Act), and, if such Consenting Noteholder is resident in Canada, it is an "**accredited investor**" as defined in National Instrument 45-106 of the Canadian Securities Authorities;

(d) any securities acquired in the Transactions will have been acquired for investment and not with a view to distribution or resale; and

(e) it is not aware of any fact, obligation or event, including any fiduciary or similar duty to any other person, that would prevent it from taking any action required of it under this Agreement.

3.5        Representations of the Debtors. Each of the Debtors severally and not jointly represents and warrants as of the date such Debtor executes and delivers this Agreement and as of the date of implementation of the CBCA Plan or CCAA Plan, as applicable, to the matters set out in Exhibit C hereto.

Section 4.        ***Court Materials.*** The Debtors shall provide draft copies of (a) all “first day” motions or applications and other documents the Debtors intend to file with the Canadian Court and/or the US Court and (b) all other pleadings the Debtors intend to file with the US Court and/or the Canadian Court, to Akin Gump, FMC and Goodmans at least three days (or, in the case of a bona fide emergency not created by the Debtors, as soon as reasonably practicable but in any event not less than 24 hours) prior to the date when the Debtors intend to file such document, unless waived by each of Akin Gump/FMC and Goodmans, and shall consult in good faith with such counsel regarding the form and substance of any such proposed filing with the US Court and/or the Canadian Court; provided, however, that any such proposed filings shall be in form and substance reasonably acceptable to Akin Gump/FMC and Goodmans.

Section 5.        ***Mutual Representations, Warranties, and Covenants.*** Each of the Parties, severally and not jointly, represents, warrants, and covenants to each other Party, as of the date of this Agreement, as follows (each of which is a continuing representation, warranty, and covenant):

5.1        Enforceability. It is validly existing and in good standing under the laws of the jurisdiction of its organization, and this Agreement has been duly executed and delivered by such Party and is a legal, valid, and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditor’s rights generally or by equitable principles relating to enforceability.

5.2        No Consent or Approval. Except as expressly provided in this Agreement, the Bankruptcy Code, the CCAA, the CBCA, the *Investment Canada Act*, the *Competition Act* (Canada), the rules of the Toronto Stock Exchange, or the Hart-Scott-Rodino Antitrust Improvements Act of 1976, each as applicable, no consent or approval is required by any other person or entity in order for it to carry out the Transactions contemplated by, and perform their respective obligations under, this Agreement.

5.3        Power and Authority. It has all requisite power and authority to enter into this Agreement and to carry out the Transactions contemplated by, and perform its respective obligations under, this Agreement.

5.4        Authorization. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary action on its part.

Section 6. ***Termination Events.***

6.1 Consenting Noteholder Termination Events. This Agreement shall automatically terminate and, except as otherwise provided herein, all obligations of the Parties shall immediately terminate and be of no further force and effect upon the occurrence and continuation of any of the following events:

(a) in connection with a CBCA Proceeding, and provided with respect to items (ii) and (iii) below that a CCAA Plan Proceeding has not been commenced in accordance with the terms hereof:

(i) failure of the Debtors to obtain the Interim Order on or before February 3, 2012;

(ii) failure to obtain the Shareholder Resolution or Shareholder Order or hold the Shareholder Vote or Voting Meetings within 35 days of entry of the Interim Order;

(iii) failure to obtain the Final Order within 40 days of entry of the Interim Order;

(iv) failure to achieve CBCA Plan Implementation within 3 business days of entry of the Final Order (the “***CBCA Outside Date***”); and

(v) failure to obtain an order of the US Court recognizing the Interim and Final Orders in full force and effect in the United States within 3 business days of entry of the Final Order;

(b) in connection with a CCAA Plan Proceeding:

(i) failure of the Debtors to obtain the Initial Order, including the filing of a Plan, within 3 business days of the deadlines set forth in Section 3.2(a)(ii)(C) hereof, or failure of the Steering Group to obtain the Steering Group Relief within 3 business days of filing its application, as applicable;

(ii) provided that a CCAA Plan Failure has not occurred, failure of the Debtors to obtain an order of the Canadian Court sanctioning the Plan within 40 days of obtaining the Initial Order (the “***Sanction Order***”); and

(iii) failure of the CCAA Plan to become effective within 25 days of the Sanction Order (the “***CCAA Outside Date***” and, together with the CBCA Outside Date, the “***Outside Date***”);

(c) in connection with US Cases, where a CCAA Plan Proceeding is commenced:

- (i) where the US Cases are commenced as chapter 11 proceedings, failure of the Debtors to meet corresponding requirements set forth in Section 6.1(b) within the timeframe set forth therein; and
- (ii) where the US Cases are commenced as a chapter 15 recognition proceeding, failure of the Debtors to obtain a recognition order of the US Court recognizing the Initial Order and Sanction Order, and any other relevant orders of the Canadian Court, in full force and effect in the United States, within 3 business days of entry of the Sanction Order;
- (d) upon a CCAA Plan Failure;
- (e) the breach in any material respect by the Debtors of any of the obligations, representations, warranties, or covenants of the Debtors set forth in this Agreement; provided, however, that the Consenting Noteholders shall transmit a notice to the Debtors, Akin Gump and Goodmans, as applicable, detailing any such breach, and the Debtors shall have five business days after receiving such notice to cure any breach;
- (f) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of a material portion of the Transactions; provided, however, that the Debtors shall have five business days after receiving such notice to cure any breach;
- (g) the conversion of one or more of the US Cases to a case under chapter 7 of the Bankruptcy Code or if the CCAA Plan Proceedings are dismissed, terminated, stayed, modified, or converted to a proceeding under the Bankruptcy and Insolvency Act (Canada) or Winding-Up and Restructuring Act (Canada), in each case unless such conversion, dismissal, termination, stay, or modification, as applicable, is made with the prior written consent of a majority in aggregate principal amount of each of the 2016 Notes and the 2014 Notes held at such time by the applicable Consenting Noteholders, respectively, the ***“Majority Consenting Noteholders”***;
- (h) the appointment of a trustee, receiver, or examiner with expanded powers in one or more of the US Cases or a receiver, interim receiver, receiver and manager, trustee in bankruptcy, liquidator, or administrator is appointed in the CCAA Plan Proceedings or any other proceedings against the Debtors unless such appointment is made with the prior written consent of the Majority Consenting Noteholders;
- (i) the amendment, modification, or filing of a pleading by the Debtors seeking to amend, modify or withdraw the Plans, Solicitation Materials, or any documents related to the foregoing, including motions, notices, exhibits, appendices, and orders, in a manner not reasonably acceptable to the Majority Consenting Noteholders;
- (j) the Debtors file any motion or pleading with the US Court or the Canadian Court that is not consistent in any material respect with this Agreement or the Term Sheet and such motion or pleading has not been withdrawn prior to the earlier of (i) three business days of the Debtors receiving written notice in accordance with Section 8.10(a) hereof from the Majority Consenting Noteholders that such motion or pleading is inconsistent with this Agreement or the Term Sheet and (ii) entry of an order of the US Court or the Canadian Court, as applicable, approving such motion;



(k) the entry of any order by the US Court or the Canadian Court that is inconsistent in any material respect with this Agreement or the Term Sheet; or

(l) the Debtors shall not have made the semi-annual interest payment that was due under the 2016 Indentures on December 15, 2011 on or before January 31, 2012.

Notwithstanding any provision in this Agreement to the contrary, upon the written consent of the Majority Consenting Noteholders, (i) the dates set forth in this Section 6.1 may be extended and such later dates agreed to in lieu thereof shall be of the same force and effect as the dates provided herein; provided, however, that the Outside Date may not be extended in excess of 60 days, without the written consent of each Party, and (ii) any of the other termination events identified in this Section 6.1 may be waived.

6.2 Debtors Termination Events. The Debtors may terminate this Agreement as to all Parties upon the occurrence of any of the following events (each, a “**Debtors Termination Event**”): (a) the breach in any material respect by any of the Consenting Noteholders of any of the representations, warranties, or covenants of such Consenting Noteholders set forth in this Agreement; provided, however, that the Debtors shall transmit a notice to the Consenting Noteholders detailing any such breach, and the Consenting Noteholders shall have five business days after receiving such notice to cure any breach; (b) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of a material portion of the Transactions; or (c) upon the determination of the Debtors in good faith and based on the advice of outside legal counsel to the Debtors’ Board of Directors that continued performance under this Agreement would be inconsistent with the exercise of applicable fiduciary duties imposed on such Debtor’s Board of Directors by law, provided, however, that as of the date of this Agreement, the Debtors represent and warrant to the Consenting Noteholders that nothing in this Agreement conflicts with applicable fiduciary duties imposed on the Debtors’ Board of Directors by law.

In addition, the Agreement shall terminate upon the occurrence of either of the following events:

- (x) if by January 31, 2012 holders of at least 66⅔% of the outstanding principal amount of both the 2016 Notes and the 2014 Notes shall not have executed and delivered to the Debtors counterpart signature pages of this Agreement or one or more Joinder Agreements, as applicable; or
- (y) if by January 31, 2012 either of the Pulp, Paper and Woodworkers of Canada and the Communications, Energy and Paperworkers Union of Canada shall not have ratified new labor agreements in respect of the Debtors’ Crofton, Port Alberni and Powell River mills, as applicable;

provided however that the Debtors may waive the application of (x) or (y) above by notice in writing to Akin Gump and Goodmans on or before January 31, 2012 so long as at the time of such waiver the Debtors shall have made the semi-annual interest payment that was due under the 2016 Indentures on December 15, 2011.

6.3 Mutual Termination. This Agreement and the obligations of all Parties hereunder may be terminated by mutual agreement among (a) the Debtors and (b) the Majority Consenting Noteholders.

6.4 Effect of Termination. Upon termination of this Agreement under Section 6.1, 6.2, or 6.3 hereof, except as otherwise provided herein, this Agreement shall be of no further force and effect, except for the provisions in Section 8 other than Section 8.1, 8.11, and 8.13, each of which shall survive termination of this Agreement, and each Party shall be released from its commitments, undertakings, and agreements under or related to this Agreement and shall have the rights and remedies that it would have had it not entered into this Agreement, and shall be entitled to take all actions, whether with respect to the Transactions or otherwise, that it would have been entitled to take had it not entered into this Agreement. Upon the occurrence of any termination of this Agreement, any and all consents tendered by the Consenting Noteholders prior to such termination shall be deemed, for all purposes, to be null and void from the first instance and shall not be considered or otherwise used in any manner by the Parties in connection with the Transactions and this Agreement or otherwise.

6.5 Termination Upon Effective Date of Plan. This Agreement shall terminate automatically without any further required action or notice on the date that the Plan(s) become effective (immediately following the effectiveness of the Plan(s)).

## Section 7. ***Amendments.***

This Agreement, including the Term Sheet, may not be modified, amended, or supplemented (except as expressly provided herein or therein) except in writing signed by the Debtors and the Majority Consenting Noteholders; provided however that, subject to Section 3.1(a)(i), the Early Consent Date may be extended by CPC.

Notwithstanding anything to the contrary herein, if this Agreement is amended, modified or supplemented or any matter herein is approved, consented to or waived: (i) in a manner that materially adversely affects the percentage equity ownership or Warrants described in the Term Sheet to be provided to the 2014 Noteholders and Early Consent Date Unsecured Noteholders, as applicable, in a CBCA Proceeding; (ii) in a manner that materially adversely affects the percentage equity ownership described in the Term Sheet to be provided to 2016 Noteholders in a CBCA Proceeding or a CCAA Plan Proceeding; or (iii) in a manner that materially adversely affects the percentage equity ownership or Warrants described in the Term Sheet to be allocated to the 2014 Noteholders and Early Consent Date Unsecured Noteholders, as applicable, in the event of a CCAA Plan Proceeding, then any Consenting Noteholder that objects to any such amendment, modification, supplement, approval, consent or waiver may terminate its obligations under this Agreement upon five business days' written notice to the other Parties hereto (each, an "**Objecting Noteholder**") and shall thereupon no longer be a Consenting Noteholder. For greater certainty, an Objecting Noteholder shall not be entitled to receive any consideration provided to Early Consent Date Unsecured Noteholders (as defined in the Term Sheet).

Section 8. ***Miscellaneous.***

8.1 **Further Assurances.** Subject to the other terms of this Agreement, the Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the Transactions, as applicable.

8.2 **Complete Agreement.** Except as expressly provided herein, this Agreement and all Exhibits hereto is the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between the Parties with respect thereto. No claim of waiver, modification, consent, or acquiescence with respect to any provision of this Agreement shall be made against any Party, except on the basis of a written instrument executed by or on behalf of such Party.

8.3 **Parties.** This Agreement shall be binding upon, and inure to the benefit of, the Parties. No rights or obligations of any Party under this Agreement may be assigned or transferred to any other person or entity except as provided in Section 3.3 hereof. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

8.4 **Headings.** The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

8.5 **GOVERNING LAW; SUBMISSION TO JURISDICTION; SELECTION OF FORUM; WAIVER OF TRIAL BY JURY.** THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF. Each Party agrees that it shall bring any action or proceeding in respect of any claim arising out of or related to this Agreement, to the extent possible, in either the United States District Court for the Southern District of New York or any New York State court sitting in New York City (the “***Chosen Courts***”), and solely in connection with claims arising under this Agreement (a) irrevocably submits to the exclusive jurisdiction of the Chosen Courts, (b) waives any objection to laying venue in any such action or proceeding in the Chosen Courts, and (c) waives any objection that the Chosen Courts are an inconvenient forum or do not have jurisdiction over any Party; provided, however, that if the Debtors commence the US Cases, then the US Court shall be the sole Chosen Court. Each Party irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

8.6 **Execution of Agreement.**

(a) This Agreement may be executed and delivered (by facsimile, electronic mail, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement.

(b) Any Person signing this Agreement in a representative capacity (i) represents and warrants that it is authorized to sign this Agreement on behalf of the Party it represents and that its signature upon this Agreement will bind the represented Party to the terms hereof, (ii) acknowledges that the other Parties hereto have relied upon such representation and warranty, (iii) is making the representations and warranties in Sections 3.4(b), 5.1, 5.2, 5.3 and 5.4 to the best of its knowledge after due inquiry, and (iv) is providing the covenants in Sections 3.1(a)(iii), 3.1(a)(iv), 3.1(b) and 3.3 to the extent and only to the extent that (x) it remains the investment manager for the Party it represents or (y) the Party it represents has not loaned its securities to another person or instructed the investment manager to liquidate its funds and accounts, provided that the Consenting Noteholder will not precipitate such action and if (x) or (y) shall occur, the Consenting Noteholder shall promptly notify the Company.

8.7 Interpretation. This Agreement is the product of negotiations between the Debtors and the Consenting Noteholders, and in the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement, or any portion hereof, shall not be effective in regard to the interpretation hereof.

8.8 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, assigns, heirs, executors, administrators, and representatives, other than a trustee or similar representative appointed in a bankruptcy case.

8.9 Relationship Among Parties.

(a) It is understood and agreed that no Consenting Noteholder has any fiduciary duty or other duty of trust or confidence in any form with any other Consenting Noteholder, and, except as provided in this Agreement, there are no commitments among or between them. In this regard, it is understood and agreed that any Consenting Noteholder may trade in the Notes or other debt or equity securities of the Debtors without the consent of the Debtors or any other Consenting Noteholder, subject to applicable securities laws and the terms of this Agreement; provided, however, that no Consenting Noteholder shall have any responsibility for any such trading by any other entity by virtue of this Agreement. No prior history, pattern, or practice of sharing confidences among or between the Consenting Noteholders shall in any way affect or negate this understanding and agreement.

(b) Except as otherwise provided herein, this Agreement applies only to each Consenting Noteholder's Claims and to each Consenting Noteholder solely with respect to its legal and/or beneficial ownership of, or its investment and voting discretion over its Claims (and not, for greater certainty, to any other types or classes of securities, loans or obligations that may be held, acquired or sold by such Consenting Noteholder or any client of such Consenting Noteholder whose funds or accounts are managed by such Consenting Noteholder or managed by a different investment advisor) and, without limiting the generality of the foregoing, shall not apply to:

(i) any securities, loans or other obligations (including Notes) that may be held, acquired or sold by, or any activities, services or businesses conducted or provided by, any group or business unit within or affiliate of a Consenting Noteholder (A) that has not been involved in and is not acting at the direction of or with knowledge of the Debtors' affairs provided by any person involved in the Transactions discussions or (B) is on the other side of an information firewall with respect to the officers, partners and employees of such Consenting Noteholder who have been working on the Transactions and is not acting at the direction of or with knowledge of the Debtors' affairs provided by any officers, partners and employees of such Consenting Noteholder who have been working on the Transactions; and

(ii) any securities, loans or other obligations that may be beneficially owned by clients of a Consenting Noteholder, including accounts or funds managed by the Consenting Noteholder, that are not Notes, Common Shares or Claims.

(c) Subject to Section 8.9(b), nothing in this Agreement is intended to preclude any of the Consenting Noteholders from engaging in any securities transactions, subject to the agreements set forth in Section 3.3 hereof with respect to Consenting Noteholders' Notes, Common Shares and Claims.

#### 8.10 Notices.

All notices hereunder shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

(a) If to the Debtors, to:

Catalyst Paper Corporation  
2<sup>nd</sup> Floor, 3600 Lysander Lane  
Richmond, BC V7B 1C3  
Attention: David Adderley, General Counsel  
E-mail address: david.adderley@catalystpaper.com

with copies (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP  
222 Bay Street, Suite 1750  
P.O. Box 258  
Toronto, Ontario  
Canada M5K 1J5  
Attention: Christopher W. Morgan, Esq.  
E-mail address: Christopher.morgan@skadden.com

and

Skadden, Arps, Slate, Meagher & Flom LLP  
300 South Grand Avenue  
Suite 3400  
Los Angeles, CA 90071  
Attention: Van C. Durrer II, Esq.  
E-mail address: [van.durrer@skadden.com](mailto:van.durrer@skadden.com)

(b) if to a Consenting Noteholder or a transferee thereof, to the addresses or telecopier numbers set forth below following the Consenting Noteholder's signature (or as directed by any transferee thereof), as the case may be

with copies (which shall not constitute notice) to:

Akin Gump Strauss Hauer & Feld LLP  
One Bryant Park  
New York, NY 10036  
Attention: Michael S. Stamer, Esq. and Stephen B. Kuhn, Esq.  
E-mail addresses: mstamer@akingump.com and skuhn@akingump.com

and

Fraser Milner Casgrain LLP  
Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 0A1  
Attention: Ryan C. Jacobs, Esq.  
E-mail address: ryan.jacobs@fmc-law.com

and

Goodmans LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7

Attention: Robert Chadwick, Esq.

E-mail address: [rchadwick@goodmans.ca](mailto:rchadwick@goodmans.ca)

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission.

8.11 Access. The Debtors will afford the Consenting Noteholders and their respective attorneys, consultants, accountants, and other authorized representatives reasonable access, upon reasonable notice during normal business hours, to all properties, books, contracts, commitments, records, management personnel, lenders, and advisors of the Debtors; provided, however, that the Debtors' obligation hereunder shall be conditioned upon such Consenting Noteholder being party to an executed confidentiality agreement approved by and with the Debtors. The Debtors acknowledge and agree that certain Consenting Noteholders have complied with the requirements of this Section 8.11 by virtue of their existing confidentiality arrangements with the Debtors.

8.12 Waiver. Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair, or restrict any right of any Consenting Noteholder or the ability of each of the Consenting Noteholders to protect and preserve its rights, remedies, and interests, including, without limitation, its claims against the Debtors. If the Transactions are not consummated, or if this Agreement is terminated for any reason (other than Section 6.5 hereof), the Parties fully reserve any and all of their rights. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms.

8.13 Specific Performance. It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach, including, without limitation, an order of the US Court, Canadian Court, or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

8.14 Several, Not Joint, Obligations. The agreements, representations, and obligations of the Parties under this Agreement are, in all respects, **several** and not joint.

8.15 Remedies Cumulative. All rights, powers, and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any right, power, or remedy thereof by any Party shall not preclude the simultaneous or later exercise of any other such right, power, or remedy by such Party.

8.16 No Third-Party Beneficiaries. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties, and no other person or entity shall be a third-party beneficiary hereof.

8.17 Time. Time is of the essence in the performance of the Parties' respective obligations. Any date, time or period referred to in this Agreement shall be of the essence, except to the extent to which the Parties agree in writing to vary any date, time or period, in which event the varied date, time or period shall be of the essence.

Section 9. ***Disclosure.*** The Debtors shall publicly disclose (a) the existence of this Agreement and the material terms of the Term Sheet within two business days following the date of this Agreement and (b) any material amendment to this Agreement and the Term Sheet in a press release or filing with the Canadian Court following the effective date of such amendment, each in form and substance acceptable to the Majority Consenting Noteholders; provided, however, that if the Debtors reasonably believe that specific disclosures are required to be included in such public disclosure by law, the Majority Consenting Noteholders shall not unreasonably object to the inclusion of such disclosures. The Debtors will submit to Akin Gump and Goodmans all press releases and public filings relating to this Agreement, the Term Sheet, or the transactions contemplated hereby and thereby and any amendments thereof and all such press releases and public filings shall be in form and substance reasonably acceptable to such counsel. To the extent that the Debtors fail to make such initial disclosure within two business days following the date of this Agreement or the effective date of any amendment hereto, each of the Consenting Noteholders shall each have the right, but not the obligation, to disclose such terms publicly. The Debtors shall not (i) use the name of any Consenting Noteholder in any press release without such Consenting Noteholder's prior written consent or (ii) except as may be required pursuant to a court order, disclose to any person other than legal and financial advisors to the Debtors the principal amount or percentage of any Notes or any other securities of the Debtors or any of their respective subsidiaries held by any Consenting Noteholder; provided, however, that the Debtors shall be permitted to disclose at any time the aggregate principal amount of and aggregate percentage of Notes held by Consenting Noteholders or by persons who have otherwise agreed to participate in the Transactions as a group. The Debtors acknowledge that enforcement of the disclosure rights granted in this Section 9 by the Consenting Noteholders do not violate the automatic stay provisions of the Bankruptcy Code or similar provision in connection with any proceeding commenced in Canada.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first above written.

*[signature pages follow]*

CATALYST PAPER CORPORATION

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Vice President and General Counsel

0606890 B.C. LTD.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PAPER GENERAL PARTNERSHIP by its Managing  
Partner, CATALYST PAPER CORPORATION

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Vice President and General Counsel

CATALYST PAPER ENERGY HOLDINGS INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PULP AND PAPER SALES INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel



CATALYST PULP OPERATIONS LIMITED

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PULP SALES INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

ELK FALLS PULP AND PAPER LIMITED

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

PACIFICA POPLARS LTD.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PAPER HOLDINGS INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PAPER RECYCLING INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PAPER (SNOWFLAKE) INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

CATALYST PAPER (USA) INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

PACIFICA PAPERS SALES INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

PACIFICA PAPERS US INC.

By: /s/ David Adderley  
Name: David L. Adderley  
Title: Corporate Secretary and Legal Counsel

PACIFICA POPLARS INC.

By: /s/ David Adderley

Name: David L. Adderley

Title: Corporate Secretary and Legal Counsel

THE APACHE RAILWAY COMPANY

By: /s/ David Adderley

Name: David L. Adderley

Title: Corporate Secretary and Legal Counsel

*Signature Page to the Restructuring and Support Agreement*

---

[NOTEHOLDER]

---

Name:

Title:

Address:

Attention:

Telephone:

Facsimile:

**Aggregate principal amount of Senior Secured Notes (CUSIP# 14888TAC8) beneficially owned or managed on behalf of accounts that hold or beneficially own such Senior Secured Notes:**

---

**Aggregate principal amount of Class B Senior Secured Notes (CUSIP# 14888TAD6) beneficially owned or managed on behalf of accounts that hold or beneficially own such Class B Senior Secured Notes:**

---

**Aggregate principal amount of 2014 Notes (CUSIP# 65653RAG8) beneficially owned or managed on behalf of accounts that hold or beneficially own such 2014 Notes:**

---

**Aggregate number of Common Shares beneficially owned or managed on behalf of accounts that hold or beneficially own such Common Shares**

---

**EXHIBIT A**  
**TERM SHEET**

---

# CATALYST PAPER CORP. RESTRUCTURING TERM SHEET

January 14, 2012

THE FOLLOWING SUMMARY OF PRINCIPAL TERMS (THE “TERM SHEET”) DESCRIBES A PROPOSED RESTRUCTURING FOR CATALYST PAPER CORPORATION AND ITS SUBSIDIARIES PURSUANT TO A PLAN OF ARRANGEMENT UNDER THE CANADA BUSINESS CORPORATIONS ACT (THE “CBCA”) OR A PLAN OF COMPROMISE OR ARRANGEMENT AND REORGANIZATION UNDER THE COMPANIES’ CREDITORS ARRANGEMENT ACT (THE “CCAA”), AS APPLICABLE.

THIS TERM SHEET IS NOT AN OFFER OR A SOLICITATION WITH RESPECT TO ANY SECURITIES OF CATALYST PAPER CORPORATION OR ITS SUBSIDIARIES. ANY SUCH OFFER OR SOLICITATION WILL BE MADE IN COMPLIANCE WITH ALL APPLICABLE LAW. THIS TERM SHEET REPRESENTS SETTLEMENT DISCUSSIONS AND IS SUBJECT TO FRE 408 AND OTHER APPLICABLE RULES OF EVIDENCE. ALL \$ TERMS HEREIN REFER TO USD UNLESS OTHERWISE INDICATED, AND ASSUME A \$1 CAD TO \$1 USD EXCHANGE RATE.

## SUMMARY OF CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

### Classified Claims and Interests

#### **Revolving ABL Facility Claims<sup>2</sup>**

Estimated Aggregate Allowed Amount: TBD

**Description:** Revolving ABL Facility Claims shall consist of all outstanding obligations owed to the lenders under the Revolving ABL Facility.

**Treatment:** To the extent the Revolving ABL Facility is not refinanced, on or as soon as practicable after the Effective Date, each holder of an allowed Revolving ABL Facility Claim shall receive payment in full in cash.

#### **First Lien Notes Claims**

Estimated Aggregate Allowed Amount: \$280,434,000 on account of the Class A Notes and \$104,100,000 on account of the Class B Notes for an aggregate total of \$384,600,000<sup>3</sup> plus accrued and unpaid interest at the applicable contract rate as of the date the CBCA or CCAA proceedings, as applicable, are commenced (the “Commencement Date”).

**Description:** First Lien Notes Claims shall consist of all outstanding obligations owed to the holders of the First Lien Notes<sup>4</sup> including, without limitation, outstanding principal and accrued and unpaid interest thereon at the applicable contract rate.

**Treatment:** On or as soon as reasonably practicable after the Effective Date, the First Lien Notes shall be cancelled, and in full and final satisfaction thereof and in exchange therefor, each holder of a First Lien Notes Claim shall receive its pro rata share of (i) the New First Lien Notes in the principal amount of \$325,000,000<sup>5</sup>, (ii) 80%<sup>6</sup> of the New Common Stock (subject to dilution only from New Common Stock granted to holders of the Warrants, and any new management incentive plan approved by the new board of directors of reorganized CPC) on account of First Lien Notes Claim in the principal amount of \$59,600,000, and (iii) cash in an amount equal to all accrued and unpaid interest as of the Effective Date, such interest calculated using the applicable interest rate under the indentures governing the First Lien Notes, which shall include, as of December 15, 2011, interest paid at the default rate.

**Voting Status:** Impaired/ Voting.

---

<sup>2</sup> Only applicable in the event of a CCAA proceeding.

<sup>3</sup> Claim estimate assumes an Effective Date of January 15, 2012 and is subject to adjustment.

<sup>4</sup> The First Lien Notes are (i) the 11.00% Senior Secured Notes due 2016 (the “Class A Notes”) and (ii) the Class B 11.00% Senior Secured Notes due 2016 (the “Class B Notes”).

<sup>5</sup> \$237,000,000 of the \$325,000,000 in New First Lien Notes shall be allocated pro rata to holders of Class A Notes, and \$88,000,000 of the \$325,000,000 in New First Lien Notes shall be allocated pro rata to holders of Class B Notes.

<sup>6</sup> 58.3464% of the New Common Stock shall be allocated pro rata to holders of Class A Notes, and 21.6536% of the New Common Stock shall be allocated pro rata to holders of Class B Notes.

---

## **Unsecured Notes Claims<sup>7</sup>**

### Estimated Aggregate Allowed

Amount: \$250,000,000 plus accrued and unpaid interest at the applicable contract rate as of the Commencement Date.

**Description:** Unsecured Notes Claims shall consist of all outstanding obligations owed to the holders of the Unsecured Notes (the “Unsecured Noteholders”) including, without limitation, for payment of principal, accrued and unpaid interest at the applicable contract rate.

**Treatment:** On or as soon as reasonably practicable after the Effective Date, the Unsecured Notes shall be cancelled and, in full and final satisfaction of and in exchange for all allowed Unsecured Notes Claims, each holder of an Unsecured Notes Claim shall receive: (i) its pro rata share of (x) 15% of the New Common Stock (subject to dilution only from New Common Stock granted to holders of the Warrants, and any new management incentive plan approved by the new board of directors of reorganized CPC), and (y) the Warrants (where such pro rata share is based on the principal amount of Unsecured Notes held by all Unsecured Noteholders); and (ii) provided the Unsecured Noteholder executes the Support Agreement or a Joinder thereto on or before January 27, 2012 (the “Early Consent Date” and such holder an “Early Consent Date Unsecured Noteholder”), its pro rata share of 4.5% of the New Common Stock (subject to dilution only from New Common Stock granted to holders of the Warrants, and any new management incentive plan approved by the new board of directors of reorganized CPC) (where such pro rata share is based on the principal amount of Unsecured Notes held by all Early Consent Date Unsecured Noteholders).

## **General Unsecured Claims**

Estimated Aggregate Allowed Amount: TBD

**Description:** General Unsecured Claims shall consist of all pre-Commencement Date unsecured non-priority claims against the Company other than Unsecured Notes Claims.

**Treatment:** General Unsecured Claims shall be unaffected and paid in full in cash in the ordinary course.

## **Equity Interests**

**Description:** Equity Interests consist of all outstanding equity interests in CPC.

**Treatment:** Only if a Plan is consummated under the CBCA, each holder of an Equity Interest shall receive its pro rata share of 0.5% of the New Common Stock (subject to dilution for the Warrants and any new management incentive plan approved by the new board of directors of reorganized CPC). For the avoidance of doubt, in the event a Plan is consummated under the CCAA, holders of Equity Interests shall not receive any consideration and, subject to the terms hereof, the New Common Stock allocable to Early Consent Date Unsecured Noteholders shall be increased from 4.5% to 5%. All existing equity interests in CPC, as well as options, warrants, rights or similar instruments derived from, relating to or convertible or exchangeable therefore, shall be cancelled and extinguished on the Effective Date.

---

<sup>7</sup> The Unsecured Notes are the 7.375% Senior Notes due 2014.

---



## FUNDING/PLAN SECURITIES

### **New ABL Facility**

If necessary, the Company will use commercially reasonable best efforts to refinance the existing Revolving ABL Facility and enter into a new ABL facility (the “New ABL Facility”) on the Effective Date.

### **Exit Facility**

To the extent necessary, there shall be an Exit Facility acceptable to the Majority Initial Supporting Noteholders, <sup>8</sup> in consultation with the Initial Supporting Unsecured Noteholders. <sup>9</sup>

### **New First Lien Notes**

The New First Lien Notes shall have the following terms and conditions:

- **Principal:** \$325,000,000
- **Security:** All collateral securing the First Lien Notes, plus Excluded Assets (as defined in the Indenture) as reasonably required by the holders of the New First Lien Notes where the consent of a third party is not required to charge such Excluded Assets.
- **Call Protection:** 103% from issuance of the New First Lien Notes through 12/15/2013; 100% thereafter.
- **Interest Rate:** 11% payable semi-annually in arrears in cash *or* 7.5% payable semi-annually in cash *plus* 5.5% payable semi-annually in-kind.
- **Final Maturity:** A date that is the earlier of (i) six (6) months after the end date of the new labor contracts and (ii) December 16, 2017 but the Final Maturity will never be earlier than December 16, 2016.

Other terms of the New First Lien Notes shall be substantially similar to the terms of the existing First Lien Notes.

### **New Common Stock**

On the Effective Date, reorganized CPC shall issue shares of New Common Stock in sufficient number to meet its obligation hereunder, which number shall be reasonably acceptable to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders. Reorganized CPC shall be a public company and, on the Effective Date, the New Common Stock and the Warrants shall be approved by the Toronto Stock Exchange or other securities exchange acceptable to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders, subject only to standard listing conditions.

If the transactions hereunder shall result in any holder of First Lien Notes or any Unsecured Noteholder (collectively, the “Noteholders”) becoming a “control person” under applicable Canadian securities laws, then such Noteholder(s) shall have the option to elect to receive a portion of the New Common Stock it would have been entitled to receive in the form of warrants (the “Exchange Warrants”) immediately exercisable for no additional consideration to acquire New Common Stock in an amount equal to the New Common Stock it would otherwise be entitled to on the transactions hereunder. The Exchange Warrants shall have terms otherwise reasonably acceptable to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders in all respects.

---

<sup>8</sup> “Initial Supporting Noteholders” means all noteholders that have executed a Support Agreement (as distinct from a Joinder Agreement) as of the date of this Term Sheet. “Majority Initial Supporting Noteholders” means a majority of Initial Supporting Noteholders, where each Initial Supporting Noteholder will have one vote and a majority of votes will govern.

<sup>9</sup> “Initial Supporting Unsecured Noteholders” means all holders of the Unsecured Notes that have executed a Support Agreement (as distinct from a Joinder Agreement) as of the date of this Term Sheet with respect to their Unsecured Notes.

---

## Warrants

On the Effective Date, reorganized CPC shall issue the following cashless Warrants to the Unsecured Noteholders:

- **15% Warrants:** The 15% Warrants shall be cashless and will be issued to holders of Unsecured Notes Claims. The 15% Warrants shall be exercisable for 15% of the fully diluted New Common Stock as of the Effective Date at a strike price equal to the Company's plan equity value (equal to \$74,500,000) plus 50%. The 15% Warrants shall expire four years after the Effective Date.

## Warrant Agreement

The Warrants shall be governed by a Warrant Agreement, the terms of which shall be reasonably acceptable to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders in all respects and which shall include the following:

- **Payment on a Sale Transaction or Other Change of Control Prior to Expiration:** In the event that a sale transaction or other change of control involving the payment of cash consideration is consummated prior to the expiration of the Warrants and the value received by the Company on account of the New Common Stock exceeds the plan equity value (equal to \$74,500,000), then the consideration payable to holders of the Warrants shall be: (i) if such event takes place within the first two years, the Black-Scholes formula value of the Warrants, which valuation shall be performed by an independent third party; and (ii) if such event takes place after the first two years, the lesser of: (x) the Black-Scholes formula value of the Warrants, which valuation shall be performed by an independent third party and (y) the value received on account of the New Common Stock in excess of plan equity value (equal to \$74,500,000). For the avoidance of doubt, if such event occurs within the first two years for less than plan equity value, the consideration payable to Warrant holders shall be the Black-Scholes formula value of the Warrants, which valuation shall be performed by an independent third party.
  - **Sale Transaction or Other Change of Control Involving Non-Cash Consideration Prior to Expiration:** To be addressed in Warrant Agreement.
  - **Anti-dilution Protection:** Customary anti-dilution protection for the Warrants for stock splits, consolidations, rights offerings, dividends, reorganizations and other events affecting the number of shares of New Common Stock issuable upon exercise of the Warrants.
  - **Dividends and Distributions:** Holders of the Warrants shall not be entitled to participate in any dividends or distributions paid by the Company to holders of capital stock prior to the exercise of the Warrants, nor shall the Company be required to set aside funds or other property for the payment of such dividends or distributions, if any, to holders of the Warrants upon the exercise thereof. To the extent any dividends or distributions are made to holders of capital stock prior to the exercise of the Warrants, there shall be an equivalent adjustment to the exercise price of the Warrants.
-

## Other Principal Plan Terms

<b>Treatment of Unexpired Leases and Executory Contracts<sup>10</sup></b>	Unexpired leases and executory contracts (other than labor contracts/collective bargaining agreements) shall be treated in a manner acceptable to the Company and the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders; provided, however, that the Company shall not reject the power purchase agreement.
<b>Treatment of Labor Contracts/Collective Bargaining Agreements</b>	The obligations set forth in this Term Sheet and in the Support Agreement are contingent on each of the Pulp, Paper and Woodworkers of Canada and the Communications, Energy and Paperworkers Union of Canada ratifying new labor agreements in respect of the Debtors' Crofton, Port Alberni and Powell River mills, as applicable, which new labor agreements shall be acceptable to the Company and not objected to by the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders; <i>provided, however</i> , that the Company shall provide the Majority Initial Supporting Noteholders with not less than 3 business days from the date on which all relevant materials pertaining to the new labor agreements are provided to counsel to the Majority Initial Supporting Noteholders to determine whether to object to such new labor agreements. All relevant materials pertaining to the new labor agreements shall also be provided to counsel for the Initial Supporting Unsecured Noteholders.
<b>Payment of Interest on the First Lien Notes</b>	The obligations set forth in this Term Sheet and in the Support Agreement are contingent on the Company making all interest payments due under the indentures governing the First Lien Notes until the Restructuring contemplated herein has been consummated.

---

<sup>10</sup> Only applicable in the event of a CCAA proceeding.

---

<b>New First Lien Notes Indenture Debt Basket</b>	The first lien debt basket under the indenture governing the New First Lien Notes shall be \$75 million; <u>provided, however</u> , that if the Company's first lien debt to EBITDA ratio calculated on a pro forma basis after giving effect to basket usage exceeds 3.0x, 75% of the New First Lien Notes based on the principal amount of such notes then outstanding must consent to the Company's usage of the debt basket. Payment of interest on the First Lien Notes in-kind shall be deemed not to be an incurrence of indebtedness under the indenture, but shall thereafter constitute outstanding indebtedness for all purposes of the indenture.
<b>Initial Board of Directors of Reorganized CPC</b>	On the Effective Date, the initial board of directors of reorganized CPC shall be composed of seven members. Four members of the initial board shall be designated by the steering group of holders of First Lien Notes (the " <u>Steering Group</u> "), two members of the initial board shall be designated by the Initial Supporting Unsecured Noteholders, and one member of the initial board shall be designated by the Company.
<b>Initial Management of Reorganized Holding</b>	The senior management team upon and immediately following the consummation of the Restructuring shall be the same as the senior management team immediately prior to consummation.
<b>Corporate Governance Documents</b>	The corporate governance documents of reorganized CPC and the reorganized Debtor subsidiaries that will take effect on and after the Effective Date shall be in form and substance reasonably acceptable to the Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders.
<b>Releases</b>	To the extent permitted by law, the Plan shall provide for the Company's release of any and all claims or causes of action, known or unknown, relating to any pre-Commencement Date acts or omissions, except for willful misconduct or fraud, committed by any of the following: (i) the officers, directors, employees, legal and financial advisors, and other representatives of the Company as of the Commencement Date, in their capacity as such; (ii) all direct and indirect holders of equity interests in CPC as of the Commencement Date, in their capacity as such; (iii) the First Lien Notes indenture trustee and the holders of the First Lien Notes, in their respective capacities as such; (iv) the Initial Supporting Noteholders and their legal and financial advisors, in their capacity as such; (v) the Initial Supporting Unsecured Noteholders and their legal and financial advisors, in their capacity as such; and (vii) the Unsecured Notes indenture trustee and the holders of the Unsecured Notes, in their respective capacities as such (collectively, the " <u>Released Parties</u> ").
<b>Exculpation</b>	To the extent permitted under applicable law, the Released Parties shall not have or incur any liability for any act or omission in connection with, related to, or arising out of, the Restructuring, proceedings under the CBCA and/or the CCAA and/or the U.S. Bankruptcy Code, the pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan except for claims resulting from willful misconduct or fraud.
<b>Restructuring Expenses</b>	In accordance with the Support Agreement, all reasonable and documented fees and expenses of the Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders, including all reasonable documented fees and expenses incurred by the Initial Supporting Noteholders' legal and financial advisors and the Initial Supporting Unsecured Noteholders' legal and financial advisors, shall be paid on a current basis after receipt of invoice. In addition, all reasonable and documented accrued but unpaid fees and expenses incurred by the Initial Supporting Noteholders' legal and financial advisors and the Initial Supporting Unsecured Noteholders' legal and financial advisors prior to the Commencement Date shall also be paid as a condition to the effectiveness of the Support Agreement. For the avoidance of doubt, the legal and financial advisors to be paid pursuant to this section "Restructuring Expenses" include (i) Akin Gump Strauss Hauer & Feld LLP; (ii) Fraser Milner Casgrain LLP; (iii) Moelis & Co.; (iv) Goodmans LLP; (v) U.S. counsel for the Initial Supporting Unsecured Noteholders; (vi) Houlihan Lokey and (vii) one local counsel in any single jurisdiction for each of (x) the Steering Group and (y) the Initial Supporting Unsecured Noteholders, collectively.

---

**Definitive Documents**

Any final agreement shall be subject to definitive agreements, pleadings, court submissions and other documents (the "Definitive Documents"). The Definitive Documents shall be consistent in all respects with the terms of this Term Sheet and the Support Agreement and otherwise reasonably acceptable to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders, except as otherwise set forth herein.

**Timeline**

As set out in the Support Agreement.

**Conditions Precedent to Implementation of the Plan**

Conditions precedent to be set out in the Definitive Documents.

**Implementation**

In the event that the Company has not obtained the requisite vote approvals on the CBCA plan within the timeline set out in the Support Agreement, the Company shall immediately (but no later than three business days after such deadlines) file: (i) an application for an initial order under the CCAA in form and substance satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders (the "Initial Order"), and (ii) proceedings under the United States Bankruptcy Code reasonably satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders; provided, however, that in such case, the Initial Order shall include: (a) any required provisions confirming that the votes cast in favor of the CBCA Plan shall stand as votes in favor of a CCAA plan to implement a recapitalization and restructuring plan consistent in all respects with this Term Sheet under the CCAA (the "CCAA Plan") and; (b) if necessary to meet the requisite threshold under the CCAA after the application of clause (a) above, a provision calling for meetings of the holders of the First Lien Notes and Unsecured Notes, as applicable, to cast votes for the CCAA Plan (the "CCAA Solicitation"), and, as appropriate, the Company shall seek an order for sanction of such plan under the CCAA; provided, further, however, that the CCAA Solicitation shall be completed within no later than 14 days after the commencement of the CCAA proceeding and if the statutory requisite thresholds for approval of the CCAA Plan are not achieved within such 14 days the CCAA Plan shall thereupon immediately be deemed to have failed, without further order (the "CCAA Plan Failure").

For greater certainty, in the event of a CCAA Plan Failure, the terms of this Term Sheet shall be null and void and this Term Sheet shall have no further force and effect.

---

## EXHIBIT B

### JOINDER AGREEMENT

The undersigned hereby acknowledges that it has read and understands the Restructuring and Support Agreement, dated as of January 14, 2012 (the “**Agreement**”), by and among Catalyst Paper Corporation and its affiliates and subsidiaries bound thereto, and certain Noteholders. Section 1.2 of the Agreement allows holders of Notes or investment advisers or managers of discretionary accounts that hold Notes to become a party thereto by executing this Joinder Agreement; and Section 3.3 of the Agreement requires, contemporaneously with a Transfer of 2016 Notes, 2014 Notes or Common Shares by a Consenting Noteholder to a Transferee who is not also already a Consenting Noteholder, that such Transferee execute and deliver this Joinder Agreement.

The undersigned hereby represents and warrants that: (i) the 2014 Notes, 2016 Notes and Common Shares that are identified on the signature page hereto constitute all of the 2014 Notes, 2016 Notes and Common Shares that are legally or beneficially owned by the undersigned or which the undersigned has the power to vote or dispose of; and (ii) the representations and warranties set forth in Section 3.4 of the Agreement are true and correct with respect to the undersigned as if given on the date hereof.

The undersigned hereby agrees (i) to be bound by the terms and conditions of the 2016 Indentures, the 2014 Indenture and the Agreement, and (ii) if the 2016 Notes, 2014 Notes and/or Common Shares have been acquired from a Transferor, to be bound by the vote of the Transferor if cast prior to the effectiveness of the Transfer of the 2016 Notes, 2014 Notes and/or Common Shares. The undersigned shall be deemed a “**Consenting Noteholder**” under the terms of the Agreement.

Date Executed: \_\_\_\_\_, 2012

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Title:

\_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Attention: \_\_\_\_\_

\_\_\_\_\_  
Telephone: \_\_\_\_\_

\_\_\_\_\_  
Facsimile: \_\_\_\_\_

\_\_\_\_\_  
**Aggregate principal amount of Senior Secured Notes (CUSIP# 14888TAC8) beneficially owned or managed on behalf of accounts that hold or beneficially own such Senior Secured Notes:**

\_\_\_\_\_  
**Aggregate principal amount of Class B Senior Secured Notes (CUSIP# 14888TAD6) beneficially owned or managed on behalf of accounts that hold or beneficially own such Class B Secured Notes:**

\_\_\_\_\_  
**Aggregate principal amount of 2014 Notes (CUSIP# 65653RAG8) beneficially owned or managed on behalf of accounts that hold or beneficially own such 2014 Notes:**

\_\_\_\_\_  
**Aggregate number of Common Shares beneficially owned or managed on behalf of accounts that hold or beneficially own such Common Shares**  
\_\_\_\_\_

---



## EXHIBIT C

### DEBTORS' REPRESENTATIONS AND WARRANTIES

#### The Debtors' Representations and Warranties

Each of the Debtors severally and not jointly represents and warrants as of the date such Debtor executes and delivers this Agreement and as of the date of implementation of the CBCA Plan or CCAA Plan, as applicable, (and the Debtors acknowledge that each of the Consenting Noteholders is relying upon such representations and warranties) that:

- (a) Except as disclosed in the Information, the Disclosure Letter or as otherwise contemplated by this Agreement and the transactions contemplated hereby, since September 30, 2011 there has not been (i) any Material Adverse Effect, (ii) any Material transaction to which the Debtors are a party outside the ordinary course of business, (iii) any Material change in the capital or outstanding indebtedness and liabilities of the Debtors (taken as a whole), (iv) any obligation, direct or contingent (including any off balance sheet obligations), incurred by the Debtors which is Material to the Debtors, or (v) any dividend or distribution of any kind declared, paid or made on the capital of the Debtors. As of the date hereof, the Debtors have filed with Canadian securities regulators and the Commission all documents required to be filed by them under Applicable Securities Laws except to the extent that such a failure to file would not be Material.
  - (b) The Debtors do not have any Material Liabilities except (i) Liabilities which are reflected and properly reserved against in the Financial Statements, (ii) Liabilities incurred after September 30, 2011 in the ordinary course of business and consistent with past practice, (iii) current Liabilities arising in the ordinary course under the Contracts to which the Debtors are a party (other than obligations which are required to be reflected on a balance sheet prepared in accordance with GAAP).
  - (c) As of the date of this Agreement, the authorized capital of the Debtors consists of an unlimited number of Common Shares, of which 381,900,450 shares are issued and outstanding, and (ii) 100,000,000 shares of preferred stock, of which no shares are issued and outstanding. The Debtors have no other capital stock authorized or, as of the date of this Agreement, issued and outstanding.
  - (d) As of the date of this Agreement, (i) 10,737,024 Common Shares of the Debtors are reserved for issuance pursuant to the Debtors' Restricted Share Unit Plan and Stock Option Plan and other share based compensation arrangements, and (ii) no Common Shares of the Debtors are reserved for issuance upon exercise of outstanding warrants. Except as set forth in the preceding sentence, there are no outstanding options, warrants, convertible securities or rights of any kind to purchase or otherwise acquire shares of capital stock or other securities of the Debtors.
-

- (e) Except as disclosed in the Information, no order halting or suspending trading in securities of the Debtors or prohibiting the sale of such securities has been issued to and is outstanding against the Debtors, and to the knowledge of the Debtors and the directors and officers of the Debtors, and except as may be related to matters disclosed in the Information, no investigations or proceedings for such purpose are pending or threatened.
  - (f) Since December 31, 2010, except as otherwise contemplated by this Agreement or set forth in the Information or the Disclosure Letter, the Debtors have conducted their business only in the ordinary course consistent with past practice and there has not been any resignation or termination of any officer, director or senior manager which would be reasonably likely to have a Material Adverse Effect, or any increase in the rate of compensation payable or to become payable by the Debtors to any officer, director or representative of the Debtors (other than standard increases in connection with general, regularly-scheduled reviews consistent with past practice in respect of employees), including the making of any loan to, or the payment, grant or accrual of any Bonus Payment to any such Person.
  - (g) Except as disclosed in the Disclosure Letter, there have been no changes to the compensation for the eight executive officers of the Debtors (the “**Executive Officers**”) from their compensation as disclosed in the Disclosure Letter and the Debtors have not agreed to any, or become obligated to pay any, Bonus Payments to the Executive Officers, agents or consultants except in connection with existing bonus or incentive plans.
  - (h) Schedule (h) to the Disclosure Letter contains a list of all contracts material to the Debtors (excluding engagement letters for legal and financial advisors retained by the Debtors, whether to provide services to the Debtors or the holders of 2014 Notes or 2016 Notes, in association with the Transactions) (the “**Material Contracts**”). Complete and accurate copies of all Material Contracts have been delivered to or otherwise made available for review by Goodmans and Akin Gump prior to the date hereof, or if not previously made available, shall promptly but no more than 3 business days following the date of this Agreement be made available for review by Goodmans and Akin Gump, and all such agreements are in full force and effect. All of the Material Contracts are valid, binding and enforceable in accordance with their terms against the Debtors party thereto, except (i) as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors or (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity). As of the date of this Agreement, except as disclosed in the Disclosure Letter, there is no existing (or threatened in writing) default or dispute with respect to any Material Contracts that would reasonably be expected to result in a Material Adverse Effect.
-

- (i) The Debtors have conducted their business in Material compliance with all Laws and the Debtors have not received notice to the effect that, or has otherwise been advised that, the Debtors are not in compliance with such Laws, other than any such non-compliance as would not reasonably be expected to result in a Material Adverse Effect.
- (j) All documents and information filed with relevant securities regulators by the Debtors since December 31, 2009, at the time filed, (i) complied with all applicable Laws in all material respects and (ii) did not contain any untrue statement of a Material fact or omit to state a Material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (k) The boards of directors of the Debtors have: (i) approved, adopted and declared advisable this Agreement and the transactions and agreements contemplated hereby; and (ii) determined that this Agreement is in the best interests of the Debtors and the Company has resolved to recommend approval of this Agreement and the transactions and agreements contemplated hereby to holders of 2016 Notes, holders of 2014 Notes and existing shareholders.

#### **RELEVANT DEFINITIONS IN THE DEBTORS' REPRESENTATIONS AND WARRANTIES**

**"Applicable Securities Laws"** means all applicable securities, corporate and other laws, rules, regulations, notices and policies in the Provinces of Canada and in the United States of America, including state "blue sky" legislation.

**"Bonus Payments"** means all bonus payments, retention payments, incentive compensation payments, service award payments or other similar payments payable by the Debtors any of the Debtors' current or past employees or consultants, in connection with the transactions contemplated by this Agreement or otherwise.

**"Commission"** means the United States Securities and Exchange Commission.

**"Contracts"** means all agreements, contracts, leases (whether for real or personal property), purchase orders, undertakings, covenants not to compete, employment agreements, confidentiality agreements, licenses, instruments, obligations and commitments to which a Person is a party or by which a Person or any of its assets are bound or affected, whether written or oral.

**"Disclosure Letter"** means a letter from the Debtors to Goodmans and Akin Gump.

**"Governmental Entity"** means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

---

**“Information”** means information set forth or incorporated in the Debtors’ public disclosure documents filed with the applicable Canadian securities regulators and the Commission under the Securities Legislation, as applicable, since December 31, 2009 and prior to the execution and delivery of this Agreement.

**“Financial Statements”** means (a) the audited consolidated balance sheet of the Debtors as at December 31, 2010 and the related audited consolidated statement of operations and comprehensive loss, consolidated statement of cash flows for each of the fiscal years then ended, together with the report thereon of independent certified public accountants, each prepared in accordance with GAAP consistently applied throughout the periods covered, and (b) an unaudited consolidated balance sheet of the Debtors as of September 30, 2011, and the related unaudited consolidated statement of operations and comprehensive loss and consolidated statement of cash flows for such period, each prepared in accordance with GAAP consistently applied throughout the periods covered.

**“Law”** or **“Laws”** means any law, statute, order, decree, consent decree, judgment, rule regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

**“Liability”** or **“Liabilities”** means any direct or indirect liability, indebtedness, obligation, commitment, expense, claim, deficiency, guaranty or endorsement of or by any Person of any type, whether accrued, absolute, contingent, matured, unmatured liquidated, unliquidated, known or unknown.

**“Material”** means a fact, circumstance, change, effect, matter, action, condition, event, occurrence or development that, individually or in the aggregate, is, or would reasonably be expected to be, material to the business, affairs, results of operations or financial condition of the Debtors (taken as a whole).

**“Material Adverse Effect”** means an event, change or occurrence that, individually or together with any other event, change or occurrence, has a material adverse impact on the financial condition, business or results of operations of the Debtors (taken as a whole) and shall include, without limitation, the disposition by any of the Debtors of any material asset without the prior consent of the Consenting Noteholders; provided, however, that a Material Adverse Effect shall not include and shall be deemed to exclude the impact of: (A) changes in Laws of general applicability or interpretations thereof by courts or governmental or regulatory authorities, (B) any change in the paper industry generally, which does not disproportionately adversely affect the Debtors, (C) actions and omissions of the Debtors taken with the prior written consent of the Majority Consenting Noteholders, (D) the effects of compliance with this Agreement, including on the operating performance of the Debtors, (E) the negotiation, execution, delivery, performance, consummation, potential consummation or public announcement of this Agreement or the transactions contemplated by this Agreement, (F) changes in the market price or trading volume of the Debtors’ 2014 Notes, 2016 Notes or Common Shares (it being understood that any cause of any such change may be taken into consideration when determining whether a Material Adverse Effect has occurred or is reasonably expected to occur), (G) any change in U.S. or Canadian interest rates or currency exchange rates unless such change has a disproportionate effect on the Debtors.

**“Person”** means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body.

**“Securities Legislation”** means all applicable Laws, regulations, rules, policies or instruments of any securities commission, stock exchange or like body in Canada or the United States.

**Miscellaneous:**[12-10221-PJW Catalyst Paper Corporation](#)

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: VerifDue

**U.S. Bankruptcy Court****District of Delaware**

## Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 1/17/2012 at 10:06 PM EST and filed on 1/17/2012

**Case Name:** Catalyst Paper Corporation**Case Number:** [12-10221-PJW](#)**Document Number:** [9](#)**Docket Text:**

Declaration of *Brian Baarda* Filed by Catalyst Paper Corporation. (Attachments: # (1) Exhibit A# (2) Exhibit B# (3) Exhibit C) (Durrer, Van)

The following document(s) are associated with this transaction:

**Document description:**Main Document**Original filename:**H:\temp\convert\01 - BAARDA DEC - READY TO FILE.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=1/17/2012] [FileNumber=10446098-0]  
] [93d7fe03ebe0f79e1fce9409e1aa7aee7ef0bb19659d8bd5e8fbe0c05ed79bd4181  
9d0e74f64ff64aa85ea2ee96849b97f8ebf5d792590070cff5b7bdb551e43]]

**Document description:**Exhibit A**Original filename:**No 6 - 2 - EX A - INTERIM ORDER.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=1/17/2012] [FileNumber=10446098-1]  
] [7afbb98a6b73f3da8ac4df0c170a9d789df55669768ef5878c19db5cea7bc94d71e  
2c9081726c103e6b209c81384a961032004c270d50220389bdc481acf3011]]

**Document description:**Exhibit B**Original filename:**No 6 - 3 - EX B - ORGANIZ CHART.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=1/17/2012] [FileNumber=10446098-2]  
] [a1c74f7cfc375617a3a4c610e4af7021166ff2131c3613e3331bcee02fb988c7b6b  
87f88a37e226cfaff3a8508c1358ef5d7a59cd09191d140795f147157c183]]

**Document description:**Exhibit C**Original filename:**No 6 - 4 - EX C - RESTRUC SUPPORT AGMT.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=1/17/2012] [FileNumber=10446098-3]  
] [9bbb2fcd4696f3c08b21d1638da95fe6dd5ef3c6bc32affd2e3da7c4b4b6a07f1da  
afd2a47963c5ad8a5d2e24bb2ca27d6138fdeaae318be54ae82e092911d02]]