

This is the 1st affidavit of
A. Purgas in this case and was
made on February 11, 2012

No. S-120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985,
c. C-44

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

AFFIDAVIT

I, Anthony Purgas, barrister and solicitor, of 2600 – 595 Burrard Street, Vancouver, British Columbia, SWEAR THAT:

1. I am a lawyer at Blake, Cassels & Graydon LLP ("**Blakes**"), the solicitors for Catalyst Paper Corporation and the Petitioners listed in Schedule "A", the Petitioners in this proceeding, and as such I have personal knowledge of the matters deposed to in this

Affidavit except where I depose to a matter based on information from an informant I identify in which case I believe that both the information from the informant and the resulting statement are true.

2. On February 1, 2012, I was directly involved with, and supervised three legal assistants (the “**Legal Assistants**”) in respect of, the delivery of materials in this proceeding. On February 1, 2012 I instructed three legal assistants at Blakes to send, by electronic transmission, facsimile, courier or hand delivery, correspondence enclosing copies of the following materials:

- (a) Petition of *In the Matter of Catalyst Paper Corporation et al.*, S.C.B.C., Vancouver Registry No. S-120712, filed on January 31, 2012;
 - (b) Notice of Application dated February 1, 2012 (unfiled);
 - (c) Pre-Filing Report of the Monitor in the above matter dated January 31, 2012;
 - (d) Affidavit #1 of Brian Baarda in the above matter made January 31, 2012;
 - (e) Affidavit #3 of Brian Baarda in the above matter made January 31, 2012 (without exhibits);
 - (f) Affidavit #1 of Jyotika Reddy in the above matter made January 31, 2012 (without exhibits);
 - (g) the Initial Order of the Court made in the above matter entered January 31, 2012; and
 - (h) Affidavit #1 of Robert Lindstrom made February 1, 2012 (unfiled);
- (collectively, the “**Hearing Materials**”).

3. Attached to this my Affidavit as Exhibit “A” is a list of the addresses and names of persons provided with the Hearing Materials as described above. If an email address is listed in Exhibit “A”, then the Hearing Materials were sent by electronic transmission. If the Hearing Materials were sent by electronic transmission, due to the volume of materials, to ensure receipt, they were sent by way of a number of separate emails. In one instance, the Hearing Materials were sent by facsimile. In one instance, the Hearing

Materials were sent by courier. In one instance, the Hearing Materials were sent by hand delivery.

4. All of the Hearing Materials were sent to all the persons listed on Exhibit "A" on February 1, 2012, with one exception – PHH Vehicle Management Services Inc. ("**PHH Vehicle**"). The email address in Exhibit "A" for PHH Vehicle would not receive any electronic messages. On February 2, 2012, I instructed a legal assistant at Blakes to send the Hearing Materials by email to another individual with PHH Vehicle Management Services Inc.

5. I was informed by the Legal Assistants that a small number of individuals listed in Exhibit "A" did not receive every one of all the emails containing the Hearing Materials because of the size of some of the documents. In addition, I was personally contacted by one individual that did not receive each and every one of all the emails containing the Hearing Materials. In all circumstances after February 1, 2012 where someone contacted either me or one of the Legal Assistants for the Hearing Materials, that person was directed to the Monitor's website at <http://www.pwc.com/car-catalystpaper> where the materials had been posted.

Directors and Officers Insurance

6. Paragraphs 156, 159 and 161 of Affidavit #1 of Brian Baarda in this matter, made January 31, 2012, make reference to the Company's directors' and officers' liability insurance policies.

7. Attached as **Exhibit "B"** is a copy of the Company's insurance policy with Chartis Insurance Company of Canada.

8. Attached as **Exhibit "C"** is a copy of the Company's insurance policy with Chubb Insurance Company of Canada.

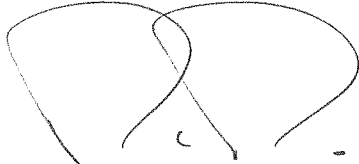
9. Attached as **Exhibit "D"** is a copy of the Company's insurance policy with Liberty International Underwriters, a division of Liberty Mutual Insurance Company.

10. Attached as **Exhibit "E"** is a copy of the Company's insurance policy with Everest Insurance Company of Canada.

11. Attached as **Exhibit "F"** is a copy of the Company's insurance policy with Lloyd's Underwriters per Catlin Canada.Inc.

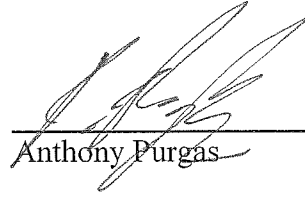
12. Attached as **Exhibit "G"** is a copy of the Company's insurance policy with ACE INA Insurance.

SWORN BEFORE ME at Vancouver,
British Columbia on February 11, 2012.



A Commissioner for taking Affidavits for
British Columbia

PETER L. RUBIN
Barrister & Solicitor
BLAKE, CASSELS & GRAYDON LLP.
Suite 2600, Three Bentall Centre
595 Burrard St., P.O. Box 49314
Vancouver, B.C. V7X 1L3
(604) 631-3315



Anthony Purgas

SCHEDULE "A"

LIST OF ADDITIONAL PETITIONERS

Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Pacifica Poplars Ltd.
Catalyst Pulp and Paper Sales Inc.
Elk Falls Pulp and Paper Limited
Catalyst Paper Energy Holdings Inc.
0606890 B.C. Ltd.
Catalyst Paper Recycling Inc.
Catalyst Paper (Snowflake) Inc.
Catalyst Paper Holdings Inc.
Pacifica Papers U.S. Inc.
Pacifica Poplars Inc.
Pacifica Papers Sales Inc.
Catalyst Paper (USA) Inc.
The Apache Railway Company

**IN THE MATTER THE CCAA AND CATALYST PAPER CORPORATION ET AL.
S.C.B.C. ACTION NO. S120712**

<p>Monitor PRICEWATERHOUSECOOPERS INC. 700 – 250 Howe Street Vancouver, BC V6C 3S7 Attn: Michael Vermette / Neil Bunker Email: michael.j.vermette@ca.pwc.com neil.p.bunker@ca.pwc.com</p>	<p>Counsel for JP Morgan Chase Bank, N.A. MCMILLAN LLP 1500 – 1055 West Georgia Street Vancouver, BC V6E 4N7 Attn: Wael Rostom / Peter Reardon Email: wael.rostom@mcmillan.ca peter.reardon@mcmillan.ca</p>
<p>Counsel for the Monitor FASKEN MARTINEAU 2900 – 550 Burrard Street Vancouver, BC V6C 0A3 Attn: John F. Grieve / Kibben Jackson Email: jgrieve@fasken.com kjackson@fasken.com</p>	<p>Attorney General of Canada 900 – 840 Howe Street Vancouver, BC V6Z 2S9 Attn: Miles J. Kirvan, Deputy Attorney General of Canada VIA HAND DELIVERY</p>
<p>Department of Justice 900 – 840 Howe Street Vancouver, BC V6Z 2S9 Attn: Neva Beckie Email: neva.beckie@justice.gc.ca</p>	<p>Ministry of the Attorney General 11th Floor, 1001 Douglas Street Victoria, B.C. V8V 1X4 Attn: David Loukidelis, Q.C., Deputy Attorney General of British Columbia VIA COURIER</p>
<p>HMTQ as represented by the Superintendent of Pensions 1301 – 865 Hornby Street Vancouver, BC V6Z 2G3 Attn: Sandra A. Wilkinson Email: sandra.wilkinson@gov.bc.ca</p>	<p>Ministry of Attorney General – Legal Services Branch 6th Floor, 1001 Douglas Street P.O. Box 9280 Victoria, BC V8W 9J7 Attn: Richard Butler / David Hatter Email: richard.butler@gov.bc.ca david.hatter@gov.bc.ca</p>
<p>Catalyst Paper Corporation Pension Administrative Committee 2nd Floor, 3600 Lysander Lane Richmond, BC V7B 1C3 Attn: Gerrie Kotze Email: gerrie.kotze@catalystpaper.com</p>	<p>CIBC Mellon Pension Benefits Department PO Box 5858, Station B London ON N6A 6H2 Fax: 1.800.768.0760</p>

This is Exhibit " *A* " referred to in the
affidavit of *Anthony Purgas*
sworn before me at *Vancouver*
this *11th* day of *February*, 2012
A Commissioner for Taking Affidavits
for British Columbia

<p>Catalyst TimberWest Salaried Employees Association c/o Bill Sharkey 4878 3rd Avenue Delta, BC V4M 4C1 Email: mwsharkey@dccnet.com</p>	<p>Canexus Chemicals Canada LP 600, 801 – 7th Avenue SW Calgary, AB T2P 3P7 Attn: Diane Pettie Email: diane.pettie@canexus.ca</p>
<p>National Starch ULC 10 Findern Avenue Bridgewater, NJ 08807 USA Attn: Alain Bergeron / Jean Perreault Email: alain.bergeron@nstarch.com jean.perreault@casco.ca</p>	<p>Coastal Pacific Express Inc. 105 – 5355 – 152nd Street Surrey, BC V3S 5A5 Attn: Jim Mickey Email: jim@cpx.ca</p>
<p>Rohm and Haas Canada LP 7900 Taschereau Boulevard Brossard, QC J4X 1C2 Attn: Deirdre Crowley / Rick Hubert Email: dcrowley@rohmmaas.com rhebert@rohmhass.com</p>	<p>Erco Worldwide P.O. Box 3536 Commerce Crt Postal St Toronto, ON M5L 1K1 Attn: Dave Gallagher Email: dgallagher@ercoworldwide.com</p>
<p>Evonik Degussa Corporation 379 Interpace Parkway Parsippany, NJ 07054 USA Attn: Web Teetzel Email: web.teetzel@evonik.com</p>	<p>Timberwest Forest Company 3rd Floor, 856 Homer Street Vancouver, BC V6B 2W5 Attn: J. Kelvin / B. Park Email: kelvinj@timberwest.com parkb@timberwest.com</p>
<p>Swift Transportation 220 S 75th Avenue Phoenix, AZ 85043 USA Attn: Richard Stocking Email: richard_stocking@swiftrans.com</p>	<p>Searles Valley Minerals P.O. Box 277044 Atlanta, GA 30384-7044 USA Attn: Brian Yockey / Pam Hasty Email: yockeyb@svminerals.com hasty@svminerals.com</p>
<p>Counsel for International Forest Products, Western Forest Products Inc., Seaspan Marine Corporation BULL HOUSER & TUPPER LLP 1055 West Georgia Street Vancouver, BC V6E 3R3 Attn: Steven Dvorak / John Bromley Email: sdd@bht.com jwb@bht.com</p>	<p>Chemtrade West Limited 8902 – 119 Street Fort Saskatchewan, AB T8L 2T2 Attn: Richard Spracklin / Leon Aarts Email: rspracklin@chemtradelogistics.com</p>

<p>Tolko Industries Ltd. 1879 Brownmiller Road Quesnel, BC V2J 6R9 Attn: Mike Harkies/Les Butler Email: mike.harkies@tolko.com les.butler@tolko.com</p>	<p>Counsel for Tolko Industries Ltd. BORDEN LADNER GERVAIS LLP 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600 Vancouver, BC, Canada V7X 1T2 Attn: Kendall Andersen Email: kandersen@blg.com</p>
<p>C N Freight 935 De La Gauchetiere Street West Montreal, QC H3B 2M9 Attn: Vee Krachroo / Richard Kummen Email: vee.krachroo@cn.ca kummen@cn.ca</p>	<p>Counsel for British Columbia Hydro and Power Authority BORDEN LADNER GERVAIS LLP 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600 Vancouver, BC, Canada V7X 1T2 Attn: Deborah Overholt Email: doverholt@blg.com</p>
<p>Counsel for a Group of the 2014 Noteholders and 2016 Noteholders FARRIS, VAUGHAN, WILLS & MURPHY LLP 2500 – 700 West Georgia Street Vancouver, BC V7Y 1B3 Attn: David E. Gruber Email: dgruber@farris.com</p> <p>GOODMANS LLP 3400 - 333 Bay Street Toronto, ON M5H 2S7 Attn: Robert J. Chadwick / Melaney Wagner Email: rchadwick@goodmans.ca mwagner@goodmans.ca</p>	<p>Counsel for a Group of 2016 Noteholders FRASER MILNER CASGRAIN LLP 250 Howe Street Vancouver, BC V6C 3R8 Attn: John R. Sandrelli / Shayne Kukulowicz/ Ryan Jacobs / Tevia Jeffries Email: john.sandrelli@fmc-law.com shayne.kukulowicz@fmc-law.com ryan.jacobs@fmc-law.com tevia.jeffries@fmc-law.com</p>
<p>Computershare Trust Company of Canada 3rd Floor, 510 Burrard Street Vancouver, BC V6C 3B9 Attn: Nicole Clement Email: nicole.clement@computershare.com</p>	<p>Counsel for Wilmington Trust FSB CHAITONS LLP 5000 Yonge Street, 10th Floor Toronto, ON M2N 7E9 Attn: Harvey Chaiton Email: Harvey@chaitons.com</p>
<p>Counsel for AstenJohnson Inc. STIKEMAN ELLIOTT LLP 5300 Commerce Court West 199 Bay Street Toronto, ON M5L 1B9 Attn: Kathryn Esaw Email: kesaw@stikeman.com</p>	<p>Counsel for United Steel Workers VICTORY SQUARE LAW OFFICE LLP 500 – 128 West Pender Vancouver, BC V6B 1R8 Attn: Sebastien Anderson / Stefanie Quelch Email: sanderson@vslo.ca squelch@vslo.bc.ca</p>

<p>Acklands-Grainger Inc. 90 West Beaver Creek Road Richmond Hill, ON L4B 1E7 Attn: Mike McIntyre Email: mcintyrem@agi.ca</p>	<p>Admiralty Leasing Inc. 208 – 3045 Douglas Street Victoria, BC V8T 4N2 Attn: Johanna Simpas Email: johanna@admiraltyleasing.ca</p>
<p>Counsel for Arrow Transportation BERNARD & PARTNERS 570 Granville Street, #1500 Vancouver, BC V6C 3P1 Attn: W. Gary Wharton Email: wharton@bernardpartners.com</p>	<p>BNSF Railway Company 3110 Solutions Center Chicago, IL 60677 USA Attn: Thomas Williams Email: thomas.williams@bnsf.com</p>
<p>Canport Industries Co. Ltd. / Attica Equipment 150 Glacier Street Coquitlam, BC V3K 5Z6 Attn: Gary Levers Email: glattica@yahoo.com</p>	<p>GE Railcar Services Suite 720 530 8TH. Ave S.W. Calgary, AB T2P3S8 Attn: Glenn Tomalty Email: glenn.tomalty@ge.com</p>
<p>GATX Rail Canada Corporation 1801 McGill College Ave Suite 1475 Montreal, QC H3A 2N4 Attn: Dale Williams Email: dale.williams@gatx.com</p>	<p>HSBC Bank Canada Leasing 1500-888 Dunsmuir Street Vancouver, BC V6C 3K4 Attn: Andrew Basford / Jeff Lovestead Email: andrew_basford@hsbc.ca jeff_lovestead@hsbc.ca</p>
<p>Integrated Distribution Systems LP O/A Wajax Industries 16745 - 111 Avenue NW Edmonton, AB T5M 2S4 Email: ar@wajax.com</p>	<p>PHH Vehicle Management Services Inc. 2233 Argentia Road, Suite 400 Missisauga, ON L5N 2X7 Email: PHHCanadaAccountsReceivable@phh.com</p>
<p>Roynat Inc. c/o Mike Bochen 202 - 1429 Dominion Street North Vancouver V7J 1B3 Email: mbochen@pembertonleasing.com</p>	<p>Weavexx, LLC 51 Flex Way Youngsville, NC 27596 Attn: Steve Alexander Email: steve.alexander@weavexx.com</p>



Chartis Insurance Company of Canada
145 Wellington St. West
Toronto, ON M5J-1H8
416-596-3902 Direct
416-596-2764 Fax
tyler.johnston@chartisinsurance.com

FINAL BINDER OF INSURANCE CONFIRMATION LETTER

April 27, 2011

PAUL LIVELY
AON REED STENHOUSE INC.
900 HOWE STREET
VANCOUVER, BC V6B-3X8
Tel: (604) 688-4442

RE: CATALYST PAPER CORPORATION
D&O 2/2000 Executive and Organization Liability Insurance Policy
Renewal Submission: Expiring Policy #01-815-71-92
Policy Period: May 1, 2011 to May 1, 2012

Dear PAUL,

I am pleased to enclose the Final Binder of Insurance for the above captioned account, which was drafted in accordance with our agreement. Please review said binder for accuracy and contact the Insurer prior to the effective date of policy coverage of any inaccuracy(ies) found within the issued binder. If the Insurer does not hear from you prior to the effective date of policy coverage, it will be understood that the binder has been accepted as an accurate description of the agreed upon terms of coverage. Notwithstanding the foregoing or the payment of any premium or the issuance of any policy pursuant to this Binder, this Binder shall be considered to be a FINAL BINDER and, pursuant to the terms set forth in the FINAL BINDER OF INSURANCE, is conditioned upon the receipt, review and written underwriting approval of the additional information specified in the section of that binder entitled "Requirements Permitting for Voiding of Final Binder and Policy if Non-Compliance." Upon the receipt, review and written underwriting approval of such additional information, and satisfaction of the additional conditions precedent set forth in the FINAL BINDER OF INSURANCE, a permanent binder will be sent by the Insurer.

Regards,

Tyler Johnston
Underwriter
Public Accounts Team

This is Exhibit "B" referred to in the affidavit of Anthony Pugas sworn before me at Vancouver this 11th day of February, 2012
A Commissioner for taking Affidavits for British Columbia

FINAL BINDER OF INSURANCE

April 27, 2011

PAUL LIVELY
AON REED STENHOUSE INC.
900 HOWE STREET
VANCOUVER, BC V6B-3X8
Tel: (604) 688-4442

RE: CATALYST PAPER CORPORATION
D&O 2/2000 Executive and Organization Liability Insurance Policy
Renewal Submission: Expiring Policy #01-815-71-92
Policy Period: May 1, 2011 to May 1, 2012

Dear PAUL,

We are pleased to confirm the Final issuance of coverage in accordance with our agreement as set forth below. Please note that such coverage is subject to the terms, conditions, limitations and other provisions contained in this Final Binder of Insurance ("Final Binder") and the proposed base policy form:

POLICY INFORMATION

INSURED:	CATALYST PAPER CORPORATION
INSURED ADDRESS:	2ND FLOOR, 3600 LYSANDER LANE RICHMOND, BC, V7B-1C3
JURISDICTION:	CANADA
TYPE OF POLICY:	D&O 2/2000 EXECUTIVE AND ORGANIZATION LIABILITY INSURANCE POLICY
BASE FORM:	76195 (02/00)
INSURANCE COMPANY:	Chartis Insurance Company of Canada
POLICY NUMBER:	01-773-73-93
EFFECTIVE DATE:	May 1, 2011
EXPIRATION DATE:	May 1, 2012
LIMIT OF LIABILITY:	\$25,000,000
CRISISFUNDSM:	Crisis Loss: \$50,000
	Delisting Crisis Loss: \$25,000
RETENTION:	Securities Claims: \$250,000
	Employment Practices Claims: \$250,000
	Oppressive Conduct Claims: \$250,000
	Canadian Pollution Claims: \$250,000
	All other Claims: \$250,000

17	100990	02/09	CANCELLATION PROVISION AMENDATORY (PRO RATA PREMIUM)
18	C0161	11/08	SECTION 11 OR 12 ENDORSEMENT
19	94188 CAN	06/07	SPECIFIED FILINGS X MONTHS BACK
20	C0169	06/08	CANADIAN CORPORATE TAX EXTENSION
21	C0173	06/09	PREDETERMINED ALLOCATION FOR DEFENCE COSTS OTHER THAN SECURITIES CLAIM OR EMPLOYMENT PRACTICES CLAIM
22	C0187	12/09	INSURED V INSURED EXCLUSION REPLACED DEFENCE COSTS CARVEOUT FEATURE
23	94681	06/07	SEVERABILITY OF EXCLUSIONS BROAD FORM CEO, CFO, & GC
24	Manu		ADDITION TO THE TERM EXECUTIVE
25	89378	05/05	PUNITIVE DAMAGES OTHER THAN EMPLOYMENT PRACTICES CLAIMS
26	98913 CAN	01/08	CLAIM DEFINITION AMENDED - WELLS NOTICE
27	96342	10/07	CLAIM DEFINITION - REQUESTS TO TOLL STATUTE OF LIMITATIONS
28	97893	04/08	ADVANCEMENT OF LOSS AND RIGHT OF DIRECT RECOVERY ENDORSEMENT - CONDUCT EXCLUSION TRIGGER IN SUBROGATION CLAUSE
29	96344	10/07	SECURITIES CLAIM DEFINITION (COMMON LAW)
30	78859	10/01	FORMS INDEX ENDORSEMENT

Modification to Quote Letter or Other Instructions:

N/A

Requirements Permitting for Voiding of Final Binder and Policy for Non-Compliance:

When signed by the Insurer, as denoted below, the coverage described above takes effect from 12:01 a.m. on the Effective Date listed above (hereinafter "Effective Date") to 12:01 a.m. on the Expiration Date listed above pursuant to the terms, conditions and exclusions of the policy form, any policy endorsements enumerated in this Final Binder, and any modifications of such terms as described in the Final Binder's section entitled "Modification to Quote Letter or Other Instructions."

Subjectivities And Other Conditions Precedent To Coverage:

The following requirements are conditions precedent to the coverage afforded by this Final Binder and any policy issued pursuant to this Final Binder:

- (a) That the following be provided to the Insurer ("Subject-To Information"):
 1. None
- (b) no material change in the risk occurs between the date of this Final Binder and the Effective Date; and
- (c) the Insured does not submit notice of a "Claim" as that term is defined in the policy form, or facts or circumstances that could give rise to a "Claim," between the date of this Final Binder and the Effective Date.

35 years of Dedication

35 years of Experience

35 years of Leadership

In the event:

1. the "Subject-To" Information has not been received, reviewed and approved, in writing, by the Insurer within thirty (30) days from the date of this Final Binder;
2. a material change in the risk occurs between the date of this Final Binder and the Effective Date; or
3. the Insured submits notice of a "Claim" as that term is defined in the policy form, or facts or circumstances that could give rise to a "Claim" between the date of this Final Binder and the Effective Date;

then this Final Binder and any policy issued pursuant to this Final Binder will be automatically null and void *ab initio* ("from the beginning") and will have no effect regardless of the gravity of the failing, or degree of non-compliance, and, with respect to the required approval of the Subject-To Information, whether or not such non-compliance arises before or after the Effective Date, unless the Insurer communicates, expressly and in writing, that it has waived the above conditions precedent, or, with respect to the Subject-To Information, unless the Insurer communicates, expressly and in writing, that it has extended the time within which the Subject-To Information must be received, reviewed and approved. It shall be within the Insurer's sole and absolute discretion to waive any one or all of these conditions precedent or grant such an extension at any time, and the Insurer's silence shall not, under any circumstances, be deemed to effect such a waiver or extension, except that with respect to the Subject-To Information, such waiver may also be communicated through issuance of a final binder letter that does not request the Subject-To Information. In the event an extension or extensions for approval of the Subject-To Information is granted, then all other terms and conditions of this Final Binder shall automatically apply to such extension(s), including without limitation that this Final Binder and the policy shall become automatically null and void if the Subject-To Information is not approved by the extended date.

Please note this Final Binder of Insurance contains only a general description of coverages provided. For a detailed description of the terms of a policy you must refer to the policy itself and the endorsements bound herein.

Cancellation of Final Binder By Insured

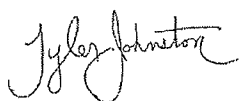
Unless otherwise indicated, this Final Binder may be cancelled by the Insured, or by the Broker on the behalf of the Insured, by written notice to the Insurer or by the surrender of this Final Binder stating when thereafter such cancellation shall be effective. If cancellation of this Final Binder by or on the behalf of the Insured is effective after the Effective Date, then the Insurer shall be entitled to the earned premium, on a pro-rata basis, for the covered period. Should the Insured cancel this Final Binder pursuant to the terms of this paragraph, such cancellation shall have no effect on the enforceability of the above provisions regarding voiding of this Final Binder and any policy issued pursuant to this Final Binder.

Premium Payment:

Our accounting procedures require that payment of the premium be remitted within 60 days of the Effective Date of coverage or 30 days from the billing date, whichever is later. We appreciate your compliance with this procedure.

We appreciate your business and we hope that we can be of further service to you in the near future.

Bound by:



Tyler Johnston

Date: April 27, 2011
Chartis Insurance Company of Canada

**CUSTOMER ADVISORY
REGARDING THE ENFORCEMENT OF
ECONOMIC EMBARGOES AND TRADE SANCTIONS**

Your rights as a policyholder and payments to you, any insured or claimant, for loss under this policy may be affected by the administration and enforcement of economic embargoes and trade sanctions applicable to you, any insured, claimant and/or to the insurer and their respective controlling entities (hereinafter "Trade Sanctions").

WHAT IS AN ECONOMIC EMBARGO AND/OR TRADE SANCTION

Trade Sanctions involve the imposition by a country of legal measures to restrict or prohibit trade, services or other economic activity with a target country, entity or individual. For example, the Parliament of Canada has enacted legislation authorizing the imposition of Trade Sanctions through the *United Nations Act*, the *Special Economic Measures Act* and some provisions of the *Export and Import Permits Act*.

Depending upon the identity, domicile, place of incorporation or nationality of the policyholder, insured, claimant, insurer, or the parent company and ultimate controlling entity of the policyholder, insured, claimant or insurer, or the country where the claim arises, Trade Sanctions of foreign countries, including the United States of America, may be applicable. The application of sanctions could necessitate the seizure or freezing of property, including but not limited to the payment of a claim.

Existing Trade Sanctions can be amended, and new Trade Sanctions can be imposed, at any time.

OBLIGATIONS PLACED ON US AS A RESULT OF TRADE SANCTIONS

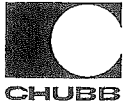
If we determine that you or any insured, additional insured, loss payee, or claimant are on a prohibited list or are connected to a sanctioned country, entity or individual, or a prohibited activity, as designated by the relevant Trade Sanction, we may be required to comply with the requirements of the applicable Trade Sanction, which by way of example, may include blocking or "freezing" property and payment of any funds and the reporting of such occurrences to the relevant authorities within the prescribed time periods, if any.

POTENTIAL ACTIONS BY US

Depending upon the requirements of the relevant Trade Sanction:

1. We may be required to immediately cancel your coverage effective on the day that we determine that we have transacted business with an individual or entity associated with your policy on a prohibited list or connected to a sanctioned country as described in the relevant Trade Sanction.
2. If we cancel your coverage, you may not receive a return premium unless permitted pursuant to the relevant Trade Sanction. All blocked or frozen funds will be placed in an interest bearing blocked account established on the books of a financial institution.
3. We may not pay a claim, accept premium or exchange monies or assets of any kind to or with individuals, entities or companies (including a bank) on a prohibited list or connected to, or carrying on business in, a sanctioned country as designated by the relevant Trade Sanction. Furthermore, we may not defend or provide any other benefits under your policy to individuals, entities or companies on a prohibited list or connected to, or carrying on business in, a sanctioned country as designated by the relevant Trade Sanction.

This Trade Sanction Advisory is part of Chartis' comprehensive compliance program and is meant to serve as a reminder of the existing applicable legal requirements with respect to Trade Sanctions.



PREMIUM BILL

Date: 04/29/2011

Insured: CATALYST PAPER CORPORATION

Producer: AON REED STENHOUSE INC.
900 HOWE ST., 9TH FLOOR
VANCOUVER, BC V6B3X8

Company: Chubb Insurance Company of Canada

THIS BILLING IS TO BE ATTACHED TO AND FORM A PART OF THE POLICY REFERENCED BELOW.

Policy Number: 8169-7820

Policy Period: May 1, 2011 to May 1, 2012

NOTE: - PLEASE RETURN THIS BILL WITH REMITTANCE AND NOTE HEREON ANY CHANGES. BILL WILL BE RECEIPTED AND RETURNED TO YOU PROMPTLY UPON REQUEST.

PLEASE REMIT TO PRODUCER INDICATED ABOVE. PLEASE REFER TO: Executive Protection Dept.

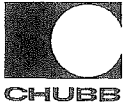
Product	Effective Date	Premium
D&OEXCB	05/01/11	\$81,625.00

TOTAL POLICY PREMIUM	\$81,625.00
TOTAL INSTALLMENT PREMIUM DUE	\$81,625.00

This is Exhibit " C " referred to in the
 affidavit of Anthony Pugas
 sworn before me at Vancouver
 this 11 day of February, 2012
 A Commissioner for taking Affidavits
 for British Columbia







DECLARATIONS

EXCESS POLICY

Policy Number: 8169-7820

Chubb Insurance Company of Canada, herein called the Company

Item 1. **Parent Organization:** CATALYST PAPER CORPORATION

Item 2. **Principal Address:** 2ND FLOOR 3600 LYSANDER LANE
RICHMOND, BC V7B1C3

Item 3. **Limit of Liability:**
Each **Policy Period** \$25,000,000.00

Item 4. **Underlying Insurance:**

(A) **Primary Policy**

<u>Insurer</u>	<u>Policy Number</u>	<u>Limits</u>	<u>Policy Period</u>
Chartis Insurance Company of Canada	01-773-73-93	\$25,000,000.00	May 01, 2011 to May 01, 2012

(B) **Other Policies**

<u>Insurer</u>	<u>Policy Number</u>	<u>Limits</u>	<u>Policy Period</u>
			. to

Item 5. **Policy Period:** From: 12:01 a.m. on May 1, 2011
To: 12:01 a.m. on May 1, 2012

Item 6. **Endorsements Effective at Inception:**

- CE 14-02-15802 (9/08 ed.)
- CE 14-02-15826 (10/08 ed.)
- CE 14-02-6851 (8/02 ed.)

Item 7. **Termination of Prior Policies:** 8169-7820 (May 01, 2010 - 2011)



Item 8. Pending or Prior Date: June 30, 2002

The Company issuing this policy has caused this policy to be signed by its authorized officer, but it shall not be valid unless also signed by a duly authorized representative of the Company.

IN WITNESS WHEREOF, CHUBB INSURANCE COMPANY OF CANADA has caused this policy to be signed by its President.

Ellen J. Moore

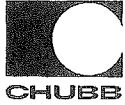
President

04/29/2011

Date

Aspen Steen

Authorized Representative



EXCESS POLICY

In consideration of the payment of the premium and subject to the Declarations, limitations, conditions, provisions and other terms of this policy, the Company agrees as follows:

- Insuring Clause** 1. The Company shall provide the **Insureds** with insurance during the **Policy Period** excess of the **Underlying Limit**. Coverage hereunder shall attach only after the insurers of the **Underlying Insurance** shall have paid in legal currency the full amount of the **Underlying Limit** for such **Policy Period**. Coverage hereunder shall then apply in conformance with the terms and conditions of the **Primary Policy** as amended by any more restrictive terms and conditions of any other policy designated in Item 4(B) of the Declarations, except as otherwise provided herein.

- Maintenance of Underlying Insurance** 2. All **Underlying Insurance** shall be maintained in full effect during the **Policy Period** and shall afford the same coverage provided by all **Underlying Insurance** in effect upon inception of this **Policy Period**, except for any depletion or exhaustion of the **Underlying Limit** solely by reason of payment of losses thereunder.

- Depletion of Underlying Limit** 3. Only in the event of exhaustion of the **Underlying Limit** by reason of the insurers of the **Underlying Insurance**, or the **Insureds** in the event of financial impairment or insolvency of an insurer of the **Underlying Insurance**, paying in legal currency loss which, except for the amount thereof, would have been covered hereunder, this policy shall continue in force as primary insurance, subject to its terms and conditions and any retention applicable to the **Primary Policy**, which retention shall be applied to any subsequent loss in the same manner as specified in the **Primary Policy**.

The risk of uncollectability of any **Underlying Insurance**, whether because of financial impairment or insolvency of an underlying insurer or any other reason, is expressly retained by the **Insureds** and is not in any way insured or assumed by the Company.

- Underlying Sublimits** 4. If any **Underlying Limit** is subject to a **Sublimit**:

 - (a) coverage hereunder shall not apply to any claim which is subject to such **Sublimit**, however,
 - (b) the **Underlying Limit** shall be recognized hereunder as depleted to the extent of any payment of such claim subject to such **Sublimit**.

- Limit of Liability** 5. The Company's maximum liability for loss shall be the amount set forth in Item 3 of the Declarations.





EXCESS POLICY

Company Authorization Clause 10. By acceptance of this policy, the **Parent Organization** named in Item 1 of the Declarations agrees to act on behalf of all the **Insureds** with respect to the giving and receiving of notice of claim or termination, the payment of premiums and the receiving of any return premiums that may become due under this policy, the negotiation, agreement to and acceptance of endorsements, and the giving or receiving of any notice provided for under this policy (except the giving of notice to apply for any extended reporting period), and the **Insureds** agree that the **Parent Organization** shall act on their behalf.

Alteration 11. No change in, modification of, or assignment of interest under this policy shall be effective except when made by written endorsement to this policy which is signed by an authorized employee of Chubb Insurance Company of Canada.

Policy Termination 12. This policy shall terminate at the earliest of the following times:

- (a) sixty days after the receipt by the **Parent Organization** of a written notice of termination from the Company;
- (b) upon the receipt by the Company of written notice of termination from the **Parent Organization**;
- (c) upon expiration of the **Policy Period**;
- (d) thirty days after the effective date of any alteration or termination of any **Underlying Insurance**, whether by the **Insureds** or any insurer of the **Underlying Insurer**, unless the Company (i) receives written notice of such alteration or termination from the **Parent Organization**, (ii) receives such information as the Company reasonably requests, and (iii) agrees, pursuant to an endorsement, not to terminate this policy; or
- (e) at such other time as may be agreed upon by the Company and the **Parent Organization**.

Notice of cancellation or non-renewal of the **Primary Policy** duly given by the primary insurer shall serve as notice of the cancellation or non-renewal of this policy by the Company.

The Company shall refund the unearned premium computed at customary short rates if the policy is terminated by the **Parent Organization**. Under any other circumstances the refund shall be computed pro rata.

Termination Of Prior Policies 13. Any policies specified in Item 7 of the Declarations shall terminate, if not already terminated, as of the inception date of this policy.



EXCESS POLICY

Policy Definitions

14. When used in this policy:

Insureds means those persons or organizations insured under the **Primary Policy**.

Parent Organization means the organization designated in Item 1 of the Declarations.

Primary Policy means the policy scheduled in Item 4(A) of the Declarations or any policy of the same insurer replacing or renewing such policy.

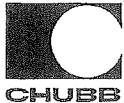
Policy Period means the period of time specified in Item 5 of the Declarations, subject to prior termination in accordance with Section 12 above. If any extended reporting period is exercised, such extension shall be treated as set forth in the **Primary Policy**.

Sublimit means any **Underlying Insurance** limit of liability which:

- (a) applies only to a particular grant of coverage under such **Underlying Insurance**, and
- (b) reduces and is part of the otherwise applicable limits of liability of such **Underlying Insurance** set forth in Item 4 of the Declarations.

Underlying Insurance means all policies scheduled in Item 4 of the Declarations and any policies of the same insurers replacing or renewing them.

Underlying Limit means the amount equal to the aggregate of all limits of liability as set forth in Item 4 of the Declarations for all **Underlying Insurance**, subject to any **Sublimits**, plus the applicable uninsured retention, if any, under the **Primary Policy**.



Directors and Officers Liability Excess Chubb

Schedule of Forms

To be attached to and form part of
Policy No. 8169-7820

Company: Chubb Insurance Company of Canada

Issued to: CATALYST PAPER CORPORATION

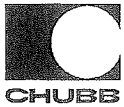
CE 14-02-15802 (9/08 ed.)

CE 14-02-15826 (10/08 ed.)

CE 14-02-6851 (8/02 ed.)







ENDORSEMENT

Effective date of this endorsement: May 1, 2011

Company: Chubb Insurance Company of Canada

Endorsement No. 1

To be attached to and form a part of Policy No. 8169-7820

Issued to: CATALYST PAPER CORPORATION

In consideration of the premium charged, it is agreed that:

(1) The following definitions are added to Section 14, Policy Definitions:

"Underlying Policy" means a policy scheduled in Item 4(A) or Item 4(B) of the Declarations (or a policy of the same insurer that replaces or renews any such scheduled policy during the Policy Period);

"Underlying Insurer" means the insurer(s) of each respective Underlying Policy.

(2) Section 1, Insuring Clause, is deleted and replaced with the following:

The Company shall provide the Insureds with insurance during the Policy Period excess of the Underlying Limit. Coverage hereunder shall attach only after the Underlying Insurers and/or, subject to paragraph (3) of this endorsement, the Insureds, shall have paid in legal currency the full amount of the Underlying Limit for such Policy Period. Coverage hereunder shall then apply in conformance with the terms and conditions of the Primary Policy as amended by any more restrictive terms and conditions of any other policy designated in Item 4(B) of the Declarations, except as otherwise provided herein.

(3) Section 3, Depletion of Underlying Limit is deleted and replaced with the following:

In the event of exhaustion of the Underlying Limit by reason of the Underlying Insurers and/or the Insureds, paying in legal currency loss which, except for the amount thereof, would have been covered hereunder, this Policy shall continue in force as primary insurance, subject to its terms and conditions and any retention applicable to the Primary Policy, which retention shall be applied to any subsequent loss in the same manner as specified in the Primary Policy.

ALL OTHER TERMS AND CONDITIONS REMAINED UNCHANGED.

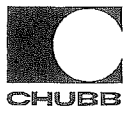
Asdeen Steed
Authorized Representative



23



See End #4



ENDORSEMENT

Effective date of this endorsement: May 1, 2011

Company: Chubb Insurance Company of Canada

Endorsement No. 2

To be attached to and form a part of Policy No. 8169-7820

Issued to: CATALYST PAPER CORPORATION

It is agreed that in granting coverage to any one of the **Insureds**, it is agreed by the **Parent Organization** and the **Insureds** that the Company has relied upon the statements, representations and information contained in:

- (a) the AIG American International Companies D&O Application application form signed and dated March 24, 2009.

All of the materials described in (a) above (collectively, the "Application Materials") shall be deemed attached to, incorporated into and made a part of this policy.

ALL OTHER TERMS AND CONDITIONS REMAINED UNCHANGED.

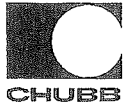
Aspen Steel

Authorized Representative



25





ENDORSEMENT

Effective date of
this endorsement: May 1, 2011

Company: Chubb Insurance Company of Canada

Endorsement No. 3

To be attached to and
form a part of Policy No. 8169-7820

Issued to: CATALYST PAPER CORPORATION

It is agreed that section 12 of the policy, Policy Termination, is deleted in its entirety and replaced by the following:

Policy Termination	12.	<p>Notice of cancellation or non-renewal of the Primary Policy duly given by the primary insurer shall serve as notice of the cancellation or non-renewal of this policy by the Company.</p> <p>The Company shall refund the unearned premium computed at customary short rates if the policy is terminated by the Parent Organization. Under any other circumstances the refund shall be computed pro rata.</p>
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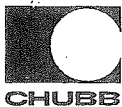
ALL OTHER TERMS AND CONDITIONS REMAINED UNCHANGED.

Authorized Representative



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ENDORSEMENT

Effective date of
this endorsement: May 1, 2011

Company: Chubb Insurance Company of Canada

Endorsement No. 4

To be attached to and
form a part of Policy No. 8169-7820

Issued to: CATALYST PAPER CORPORATION

It is agreed that Endorsement No. 2, CE 14-02-15826 is deleted in its entirety.

ALL OTHER TERMS AND CONDITIONS REMAINED UNCHANGED.

Asreen Steen

Authorized Representative





LIBERTY INTERNATIONAL UNDERWRITERS

This is Exhibit " D " referred to in the
 affidavit of Anthony Pargas
 sworn before me at Vancouver
 this 11 day of February, 2012
 A Commissioner for taking Affidavits
 for British Columbia

Excess Advantage Follow Form Policy



Liberty
International
Underwriters
 Member of Liberty Mutual Group

Policy Number: DOVA303905008
Renewal of: DOVA303905007



Excess Advantage Follow Form Declarations

Please read the attached Policy terms carefully.

Item I PARENT ORGANIZATION:

CATALYST PAPER CORPORATION

Item II PARENT ORGANIZATION'S ADDRESS:

3600 Lysander Lane, 2nd Floor
Richmond, BC V7B 1C3

Item III POLICY PERIOD:

Inception: 12:01 a.m. May 1, 2011
Expiration: 12:01 a.m. May 1, 2012
Both at local time at the address shown in Item II

Item IV LIMITS OF LIABILITY:

Each Loss	\$15,000,000
Aggregate Per Policy Period	\$15,000,000

Item V SCHEDULE OF UNDERLYING INSURANCE

(A)Primary Policy: Primary Insurer: Chartis Insurance Company of Canada
Policy Number: 01-773-73-93
Limit of Liability: \$25,000,000
Retention: \$250,000
Policy Period: May 1, 2011 to May 1, 2012

(B)Excess Policy(ies):

1. Excess Insurer: Chubb Insurance Company of Canada
Policy Number: 8169-7820
Limit of Liability: \$ 25,000,0000 xs \$25,000,000
Policy Period: May 1, 2011 to May 1, 2012

Policy Number: DOVA303905008
Renewal of: DOVA303905007



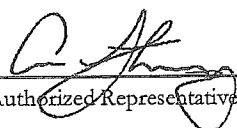
Item VI ENDORSEMENT(S)

1-4

Item VII PREMIUM

\$39,500

This Policy (consisting of these Declarations, the applicable application, the attached Policy terms and the endorsement(s) referred to in item VI) is valid only if, in addition to the facsimile signature of the President of Liberty Mutual Insurance Company, it is dated and signed below by a duly authorized representative of Liberty Mutual Insurance Company.



Authorized Representative of Liberty Mutual Insurance Company

May 30, 2011

Date

For purposes of the Insurance Companies Act (Canada), this document was issued in the course of Liberty Mutual Insurance Company's insurance business in Canada.



POLICY TERMS

(Words and expressions, other than in the headings, printed in **Bold** are defined in Paragraph 7 below.)

Relying upon the statements and disclosures in the application for this Policy and in consideration of the payment of the premium as due, Liberty International Underwriters (hereafter referred to as "Liberty") agrees as follows:

1. **INSURING AGREEMENT:** Liberty shall provide the **Insureds** with insurance during the **Policy Period** excess of the **Underlying Insurance**. Coverage hereunder shall attach only after such **Underlying Insurance** has been exhausted through payments of losses pursuant to Paragraph 2 below and shall then apply in conformance with all terms, conditions, exclusions and endorsements of the **Primary Policy**, together with all limitations, restrictions or exclusions contained in or added by endorsements to any other **Underlying Insurance**, except as specifically set forth in the terms and conditions and endorsements of this Policy. In no event shall this Policy grant broader coverage than would be provided by any of the exhausted **Underlying Insurance**.
2. **DEPLETION AND EXHAUSTION OF UNDERLYING LIMIT(S):**
 - 2.1 In the event of the depletion of the limit(s) of liability of the **Underlying Insurance** through payments of covered losses thereunder, this Policy shall continue to apply for subsequent losses as excess insurance over the amount of insurance remaining under such **Underlying Insurance**. In the event of the exhaustion of all of the limit(s) of liability of the **Underlying Insurance** through payments of covered losses thereunder, this Policy shall continue for subsequent losses as primary insurance excess of the retention or deductible stipulated in the **Primary Policy**. Under no circumstances shall Liberty have any obligation to contribute to the cost of defending any claim made against any **Insured** until the **Underlying Insurance** has been exhausted.
 - 2.2 Notwithstanding Paragraph 2.1, in the event the **Insureds** and any insurer of the **Underlying Insurance** reach an agreement in compromise of coverage issues whereby any insurer agrees to pay loss in an amount less than the applicable limit(s) of liability of the **Underlying Insurance** and the **Insureds** pays the remainder of the applicable limit(s) of liability of the **Underlying Insurance** (either directly or via a Side A Excess/Difference in Conditions policy written specifically excess over the Limits of Liability provided by this Policy), such payment by the Insured will be deemed to apply towards the depletion of the **Underlying Insurance**. Nothing within said agreement in compromise will limit Liberty's ability to negotiate a similar agreement with the Insured.
 - 2.3 In the event of insolvency, liquidation or bankruptcy of any insurer of the **Underlying Insurance**, the **Insureds** may pay the full amount of the applicable limit(s) of liability of the **Underlying Insurance** (either directly or via a Side A Excess/Difference in Conditions policy written specifically excess over the Limits of Liability provided by this Policy), and such payment by the **Insureds** will be deemed to apply towards the depletion of the **Underlying Insurance**.
3. **LIMIT OF LIABILITY:** Liberty shall be liable only for the amount set forth in Item IV of the Declarations as the limit of liability of Liberty and such amount shall be the maximum liability of Liberty.
4. **RIGHTS AND PROTECTIONS:** Liberty shall be given the same rights and protections as

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XSFF (02/11)



afforded under the **Primary Policy**, and may, at its sole discretion, elect to participate in the investigation, settlement or defence of any claim against any of the **Insureds** for matters covered by the **Underlying Insurance** or this Policy even if the **Underlying Insurance** has not been exhausted.

No change in or modification of the **Underlying Insurance** after the inception date of this Policy shall attach to this Policy except when made by written endorsement signed by an authorized representative of Liberty.

- 5. **NOTICE:** Liberty shall be given the same notice by the **Insureds** as required in the **Primary Policy**. Furthermore, any notice given as required in the **Primary Policy** shall be deemed notice given by Liberty.

Notice of any claim, circumstance, or wrongful act shall be forwarded as soon as practicable to Liberty International Underwriters, 181 Bay St., Suite 1000, Toronto, Ontario M5J 2T3, Attention: Specialty Casualty Claims or to claims.liu@libertyiu.com. All other notices under this Policy shall be given to the same addressee but to the attention of Specialty Casualty Underwriting.

- 6. **AMENDMENT AND ASSIGNMENT:** Any amendment or change to or assignment of, in whole or in part, an interest in this Policy shall only be effective if made in writing and signed by an authorized representative of Liberty.

7. **DEFINITIONS:**

- 7.1 **Insureds** mean those persons or organizations insured under the **Primary Policy**.
- 7.2 **Primary Policy** means the policy scheduled in Item V(A) of the Declarations.
- 7.3 **Policy Period** means the period set out in Item III of the Declarations.
- 7.4 **Underlying Insurance** means all those policies scheduled in Item V of the Declarations, including the **Primary Policy**.

8. **NOTICE OF MEMBERSHIP IN LIBERTY MUTUAL HOLDING COMPANY INC.:**

While this Policy is in effect, the Parent Organization first named in Item I of the Declarations is a member of Liberty Mutual Holding Company Inc. and is entitled to vote either in person or by proxy at any and all meetings of the members of said company. The Annual Meeting of Liberty Mutual Holding Company Inc. is in Boston, Massachusetts, on the second Wednesday in April each year at ten o'clock in the morning.

The Parent Organization first named in Item I of the Declarations shall participate in the distribution of any dividends declared by Liberty Mutual Holding Company Inc. for this Policy. The amount of such Parent Organization's participation is determined by the decision of Liberty Mutual Holding Company's Board of Directors in compliance with any laws that apply.

David M. Tracy

President

Dexter R. Lynn

Secretary



Endorsement No. 1

PRIOR & PENDING LITIGATION EXCLUSION

Effective Date: May 1, 2011
 Policy Number: DOVA303905008
 Issued To: CATALYST PAPER CORPORATION
 By: Liberty Mutual Insurance Company

IT IS HEREBY UNDERSTOOD AND AGREED THAT:

The date referenced in Item 5 of the Declarations Page of the **Primary Policy** is amended to read June 30, 2002 for the purposes of this Policy.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Authorized Representative of Liberty Mutual Insurance Company
 May 30, 2011

Date



Endorsement No. 2

DISCLOSURE – TERRORISM RISK INSURANCE ACT

Effective Date: May 1, 2011
 Policy Number: DOVA303905008
 Issued To: CATALYST PAPER CORPORATION
 By: Liberty Mutual Insurance Company

IT IS HEREBY UNDERSTOOD AND AGREED THAT:

THIS ENDORSEMENT IS MADE PART OF YOUR POLICY PURSUANT TO THE TERRORISM RISK INSURANCE ACT.

In accordance with the Terrorism Risk Insurance Act, including all amendments, ("TRIA" or the "Act"), we are required to provide you with a notice of the portion of your premium attributable to coverage for "certified acts of terrorism," the federal share of payment of losses from such acts, and the limitation or "cap" on our liability under the Act.

Disclosure of Premium

The Company has made available coverage for "certified acts of terrorism" as defined in the Act. If purchased, the portion of your premium attributable to coverage for "certified acts of terrorism" is shown in the Declarations, Declarations Extension Schedule or elsewhere by endorsement in your policy.

Federal Participation In Payment Of Terrorism Losses

If an individual insurer's losses exceed a deductible amount specified in the Act, the federal government will reimburse the insurer for 85% of losses paid in excess of the deductible, provided that aggregate industry losses from a "certified act of terrorism" exceed \$100 million.

Cap On Insurer Participation In Payment Of Terrorism Losses

If aggregate insured losses attributable to "certified acts of terrorism" exceed \$100 billion in a calendar year and we have met our deductible under the Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion. Nor shall Treasury make any payment for any portion of the amount of such losses that exceeds \$100 billion. In such case, insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

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XSEF.05 (02/11)

TRIA-N004-0208



Liberty
International
Underwriters
Member of Liberty Mutual Group

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Authorized Representative of Liberty Mutual Insurance Company

May 30, 2011

Date



TRIA-N004-0208

XSFR.05 (02/11)

Endorsement No. 3

CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM

Effective Date: May 1, 2011
 Policy Number: DOVA303905008
 Issued To: CATALYST PAPER CORPORATION
 By: Liberty Mutual Insurance Company

IT IS HEREBY UNDERSTOOD AND AGREED THAT:

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the above captioned policy.

A. Cap On Certified Terrorism Losses

“Certified act of terrorism” means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in the Terrorism Risk Insurance Act for a “certified act of terrorism” include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.



XSFF.06 (02/11)

TRIA-E002-0208

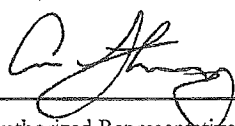
Includes copyrighted material of Insurance Services Office, Inc., with its permission

Liberty International Underwriters, a Division of the Liberty Mutual Insurance Company

B. Application Of Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



Authorized Representative of Liberty Mutual Insurance Company

May 30, 2011

Date

Endorsement No. 4

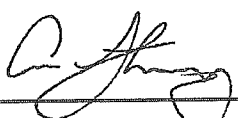
NON-FOLLOW FORM ON SUB-LIMITED COVERAGES

Effective Date: May 1, 2011
 Policy Number: DOVA303905008
 Issued To: CATALYST PAPER CORPORATION
 By: Liberty Mutual Insurance Company

IT IS HEREBY UNDERSTOOD AND AGREED THAT:

Liberty shall not be liable under this Policy for any loss which is subject to any sub-limit of liability in any **Underlying Insurance**, unless specifically endorsed by this policy. However, any payment of such loss by the **Underlying Insurance** shall be recognized to erode the aggregate limit(s) of liability of the **Underlying Insurance**.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



 Authorized Representative of Liberty Mutual Insurance Company
 May 30, 2011

Date

Item F. **Primary Policy:**

Primary Insurer: Chartis Insurance Company of Canada
 Policy No.: 01-773-73-93
 Limit of Liability: \$25,000,000 CDN
 Retentions/Deductibles: \$250,000 CDN
 Policy Period:
 From: May 1, 2011
 To: May 1, 2012

Item G. **Underlying Excess Policies:**


First Underlying Insurer: Chubb Insurance Company of Canada
 Policy No.: 8169-7820
 Limit of Liability: \$25,000,000 CDN

 Second Underlying Insurer: Liberty International Underwriters
 Policy No.: DOVA303905008
 Limit of Liability: \$15,000,000 CDN

Issued and dated in Toronto: May 3, 2011

**THIS POLICY CONTAINS CLAUSES WHICH MAY LIMIT THE AMOUNT PAYABLE.
 THE INSURED IS REQUESTED TO READ THIS POLICY, AND IF INCORRECT,
 TO RETURN IT IMMEDIATELY FOR ALTERATION.**

COUNTERSIGNED May 3, 2011
 DATE

BY 
 AUTHORIZED REPRESENTATIVE

TRUE FOLLOW-FORM EXCESS DIRECTORS AND OFFICERS LIABILITY POLICY

I. INSURING AGREEMENT

In consideration of the payment of the premium and in reliance upon the statements in the application for this Policy and the **Primary Policy**, including the information provided in connection therewith, and subject to the provisions of this Policy, the **Insurer** agrees to provide coverage to the **Insureds** in excess of the **Underlying Limits of Liability**, in conformance with the insuring clauses, definitions, terms, conditions, exclusions and other provisions of the **Primary Policy**, except as may be otherwise provided in this Policy.

II. DEFINITIONS

- A. "**Insureds**" shall mean all individuals and entities insured under the **Primary Policy**.
- B. "**Policy Period**" shall mean the period identified in Item B. of the Declarations.
- C. "**Primary Policy**" shall mean the policy identified in Item F. of the Declarations.
- D. "**Underlying Limits of Liability**" shall mean the combined limits of liability of the **Primary Policy** and **Underlying Excess Policies** as set forth in Items F. and G. of the Declarations, plus any uninsured retention or deductible applicable to the **Primary Policy** or any **Underlying Excess Policy**.
- E. "**Underlying Excess Policies**" shall mean the policies identified in Item G. of the Declarations.

III. MODIFICATION AND MAINTENANCE OF UNDERLYING POLICIES

If there is a material change of any kind to the **Primary Policy** or any **Underlying Excess Policy** the coverage under this Policy will become subject to such change only if and to the extent that the **Insurer** provides its written consent to such change.

The **Primary Policy** and any **Underlying Excess Policies** shall be maintained during the **Policy Period** in full effect except for any reduction or exhaustion of the **Underlying Limits of Liability** solely by reason of payment of Loss thereunder. Failure to comply with the foregoing shall not invalidate this Policy but the **Insurer** shall not be liable to a greater extent than if this condition had been complied with.

IV. LOSS PAYMENT AND LIMIT OF LIABILITY

The **Insurer** shall pay Loss which is in excess of the **Underlying Limits of Liability** up to the Limit of Liability as shown under Item C. of the Declarations.

In the event of the reduction or exhaustion of the **Underlying Limits of Liability** solely as a result of payment of Loss made by the **Underlying Insurers** and/or the **Insured** this Policy shall (1) in the event of reduction, continue in force in excess of the remaining amount of the **Underlying Limits of Liability**; or (2) in the event of total exhaustion, continue in force as primary insurance, subject to the terms and conditions of the **Primary Policy**, including the application of any retention or deductible, except as may be otherwise provided in this Policy.

Notwithstanding any of the terms of this Policy, this Policy shall drop down only in the event of reduction or exhaustion of the **Underlying Limits of Liability** and in no event shall this Policy drop down for any other reason including, but not limited to uncollectibility (in whole or in part) of the **Underlying Limits of Liability**.

In no event shall this Policy grant broader coverage than would be provided by the **Primary Policy** or any **Underlying Excess Policies**.

V. NOTIFICATION

As a condition precedent to their rights under this Policy, the **Insured** shall give to the **Insurer** as soon as practicable written notice in accordance with the provisions of the **Primary Policy**.

VI. CLAIM PARTICIPATION

The **Insurer** may, at its election, participate in the investigation, settlement or defence of any Claim against the **Insured** for matters covered by this Policy whether or not the **Underlying Limits of Liability** have been exhausted.

VII. THIS CLAUSE APPLIES TO THE PROVINCE OF QUEBEC ONLY

It is the express wish of all parties to this policy that this policy and any related documents be drawn up in English. Il est de la volonté expresse des parties aux présentes que cette police et tous les documents qui s'y rattachent soient rédigés en anglais.



EVEREST.

Policy # XD&O000007
Endorsement # 1

Effective Date: May 1, 2011

PRIOR AND PENDING LITIGATION EXCLUSION – EXCESS LIMITS

It is hereby understood and agreed that the following Exclusion is added to the policy:


The Insurer shall not be liable for any Claim:

based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any demand, suit or other proceeding pending, or order, decree or judgment entered against any Insured on or prior to 12:01 a.m. local time at the Principal Address stated in Item A of the Declarations on June 30, 2002, or the same or substantially the same facts underlying or alleged therein.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Authorized Representative: Dean Graham

Dated: May 3, 2011

Signature: 

PRIVACY NOTICE

Our Privacy Policy and Commitment to Protecting Your Privacy

Everest Insurance Company of Canada values you as a customer and we thank you for your confidence in choosing our company as your insurer. As a policyholder, you trust us with your personal information. We respect that trust and want you to be aware of our commitment to protect the nonpublic personal information you share with us in the course of doing business.

How We Use and Disclose Your Information

When you purchase insurance from us, you share personal information so that we may provide you with the products and services that best meet your needs and provide the insurance protection you have requested. In order to do this, we may use your personal information to:

- Communicate with you.
- Assess your application for insurance including underwriting and pricing your policies.
- Evaluate claims.
- Detect and prevent fraud.
- Analyze business results.
- Act as required or authorized by law.

Additionally, we may disclose your personal information to:

- Your agent or broker.
- Parties who perform a business, professional or insurance function for our company, including affiliated companies, agents, service providers and reinsurers.
- Independent claims adjusters, appraisers, investigators, auditors, accountants and lawyers who need the information to investigate, defend or settle a claim involving your insurance.
- Businesses that help us with data processing and marketing.
- Other insurance companies or agents as reasonably necessary in connection with any application, insurance policy or claim involving you.
- Law enforcement or other governmental authorities to protect our legal interests, and to authorized persons as ordered by subpoena, warrant or other court order, or as required by law.
- Insurance regulatory agencies in connection with regulation of our business.

We assume your consent for our company to use this information in an appropriate manner. All personal information is safeguarded with appropriate security measures.

What We Will NOT do with Your Information

We do not sell customer information to anyone. We do not share customer information with organizations outside of our associated companies other than the aforementioned entities.

We Strive to Protect Your Personal Information

All employees, agents, independent brokers and suppliers who are granted access to customer records understand the need to keep this information protected and confidential. They know they are to use the information only for the purposes intended. This expectation is clearly communicated and reinforced.

We have also established physical and systems safeguards, along with the proper processes, to protect customer information from unauthorized access or use.

Your Privacy Choices



You may withdraw your implied consent at any time (subject to legal or contractual obligation and on providing us reasonable notice) by contacting our Privacy Officer. Please be aware that withdrawing your consent may prevent us from providing you with the requested product or service.

You have the right to access certain types of information we keep in our files about you and to receive a copy of such information. You may review the identified information contained in our files in person or receive a copy of such information by mail at a reasonable charge. After you have reviewed the personal information about you in our file, you can contact us if you believe it should be corrected, amended or deleted.

If You Need More Information

For more information about our privacy policies and procedures, please contact our Privacy Officer, Mum Meyrick at:

Everest Insurance Company of Canada
 365 Bay St, Suite 1200
 Toronto, Ontario
 M5H 2V1
 Telephone: 416.979.0062
 E-mail: mum.meyrick@everestcanada.com

	
Side A Excess Insurance Policy Including Difference In Conditions Coverage Effected with certain Lloyd's Underwriters ("the Insurer") through Lloyd's approved Coverholder ("the Coverholder"):	
	Catlin Canada, Inc. 36 Toronto Street, Suite 1210, Toronto ON M5C 2C5

DECLARATIONS

SIDE A EXCESS INSURANCE POLICY INCLUDING DIFFERENCE IN CONDITIONS COVERAGE

Policy No.: DY884081	Renewal of Policy No.: N/A
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THIS POLICY IS A CLAIMS MADE POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY COVERS ONLY CLAIMS FIRST MADE AGAINST THE INSUREDS DURING THE POLICY PERIOD. PLEASE READ THIS POLICY CAREFULLY.

THE LIMITS OF LIABILITY AVAILABLE TO PAY INSURED LOSS SHALL BE REDUCED BY AMOUNTS INCURRED FOR DEFENCE COSTS.

Terms that appear in bold letters have special meaning. Please refer to Clause 2, Definitions.

Item 1.	Company: Catalyst Paper Corporation Principal Address: 2 nd Floor, 3600 Lysander Lane, Richmond, British Columbia V7B 1C3			
Item 2.	Policy Period: From: May 1, 2011 at 12:01 a.m. (local time at the address stated in Item 1) To: May 1, 2012 at 12:01 a.m. (local time at the address stated in Item 1)			
Item 3.	Limit of Liability: \$15,000,000 Aggregate Limit of Liability for all Loss paid on behalf of all Insureds arising from all Claims first made during the Policy Period .			
Item 4.	Policy Premium: \$33,000 Discovery Period Premium: 125% of Annual Premium Discovery Period Length: 1 Year Currency: CAD	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">150%</td> </tr> <tr> <td>6 Years</td> </tr> </table>	150%	6 Years
150%				
6 Years				
Item 5.	Notice to Company: Any notice to the Company or, except in accordance with Clause 16 (Authority) of this Policy , to the Insureds , shall be given or made to the individual listed above, if any, or otherwise to the individual designated in the Application , if any, or otherwise to the signer of the Application , and shall be given or made in accordance with Clause 15 (Notice) of this Policy .			
Item 6.	Notice to Insurer: Any notice to be given or payment to be made to the Insurer under this Policy shall be given or made in accordance with Clause 15 (Notice) of this Policy to: <table style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 50%; vertical-align: top;"> A. Notice of Claim or Wrongful Act: Catlin Canada Claims Dept. 36 Toronto Street, Suite 1210, Toronto, ON M5C 2C5 claimscanada@catlin.com </td> <td style="width: 50%; vertical-align: top;"> B. All payments or other notices: Catlin Canada Inc. 36 Toronto Street, Suite 1210, Toronto, ON M5C 2C5 </td> </tr> </table>		A. Notice of Claim or Wrongful Act: Catlin Canada Claims Dept. 36 Toronto Street, Suite 1210, Toronto, ON M5C 2C5 claimscanada@catlin.com	B. All payments or other notices: Catlin Canada Inc. 36 Toronto Street, Suite 1210, Toronto, ON M5C 2C5
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This is Exhibit **F** referred to in the affidavit of **Anthony Puyas** sworn before me at **Vancouver** this **11** day of **February**, 20**12**

A Commissioner for taking Affidavits for British Columbia

Item 7. Schedule of Underlying Insurance:

	<u>Carrier:</u>	<u>Policy No.:</u>	<u>Policy Period:</u>	<u>Limits:</u>	<u>Attachment:</u>
Primary Policy:	Chartis Insurance Company of Canada	01-773-73-93	May 1, 2011 – May 1, 2012	\$25,000,000	\$250,000
Excess Policy:	Chubb Insurance Company of Canada	8169-7820	May 1, 2011 – May 1, 2012	\$25,000,000	\$25,000,000
	Liberty International Underwriters	DOVA303905008	May 1, 2011 – May 1, 2012	\$15,000,000	\$50,000,000
	Everest Insurance Company of Canada	XD&O000007	May 1, 2011 – May 1, 2012	\$10,000,000	\$65,000,000

Item 8. Forms and Endorsements Applicable to Coverage at Inception of Policy:

CATLIN CAN XDIC 2010 - Endorsement No. 1	Policy Wording CANCELLATION CLAUSE AMENDED – CAN-XDIC-10-007
Endorsement No. 2	UNDERLYING INSURANCE CANCELLATION BY TRUSTEE ENDORSEMENT – CAN-XDIC-10-006
Endorsement No. 3	AON DIC AMENDATORY ENDORSEMENT – CAN-XDIC-10-CATALYST1
Endorsement No. 4	AMEND DEFINITION OF SUBSIDIARY ENDORSEMENT – CAN-XDIC-10-CATALYST2

THESE DECLARATIONS, TOGETHER WITH THE COMPLETED AND SIGNED APPLICATION FOR THIS POLICY, ALL MATERIALS SUBMITTED THEREWITH OR MADE A PART THEREOF AND THE POLICY FORM ATTACHED HERETO, CONSTITUTE THE POLICY.

IDENTIFICATION OF INSURER / ACTION AGAINST INSURER

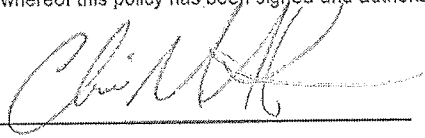
This insurance has been effected in accordance with the authorization granted to the Coverholder by the Underwriting Members of the Syndicates whose definitive numbers and proportions are shown in the Table attached to Agreement No. SC334201146 (hereinafter referred to as "the Insurer"). The Insurer shall be liable hereunder each for his own part and not one for another in proportion to the several sums that each of them has subscribed to the said Agreement.

In any action to enforce the obligations of the Insurer they can be designated or named as "Lloyd's Underwriters" and such designation shall be binding on the Insurer as if they had each been individually named as defendant. Service of such proceedings may validly be made upon the Attorney In Fact in Canada for Lloyd's Underwriters, whose address for such service is 1155 rue Metcalfe, Suite 2220, Montreal, Quebec H3B 2V6.

"Underwritten by certain Underwriters at Lloyd's" per Catlin Canada Inc.

NOTICE
Any notice to the Insurer may be validly given to the Coverholder.

In witness whereof this policy has been signed and authorized by the Lloyd's Underwriters, by Catlin Canada, Inc.

Per:  Date: 07/06/2011

THIS POLICY CONTAINS A CLAUSE WHICH MAY LIMIT THE AMOUNT PAYABLE.

FOR PURPOSES OF THE INSURANCE COMPANIES ACT (CANADA), THIS DOCUMENT WAS ISSUED IN THE COURSE OF LLOYD'S UNDERWRITERS' INSURANCE BUSINESS IN CANADA.

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SIDE A EXCESS INSURANCE POLICY INCLUDING DIC COVERAGE

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THIS POLICY IS A CLAIMS MADE POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY COVERS ONLY CLAIMS FIRST MADE AGAINST THE INSUREDS DURING THE POLICY PERIOD. PLEASE READ THIS POLICY CAREFULLY.

THE LIMITS OF LIABILITY AVAILABLE TO PAY INSURED LOSS SHALL BE REDUCED BY AMOUNTS INCURRED FOR DEFENCE COSTS.

TERMS THAT APPEAR IN BOLD LETTERS HAVE SPECIAL MEANING. PLEASE REFER TO CLAUSE 2, DEFINITIONS.

The **Company**, the **Insureds**, and the **Insurer** agree as follows:

1. INSURING CLAUSE

(a) The **Insurer** shall pay on behalf of the **Insureds** all **Non-Indemnifiable Loss** that the **Insureds** become legally obligated to pay by reason of any **Claim** first made against the **Insureds** during the **Policy Period** or, if elected, the **Discovery Period**, for any **Wrongful Acts** that are actually or allegedly caused, committed, or attempted prior to the end of the **Policy Period** by the **Insureds**, but only if:

1. the insurer(s) of the **Underlying Insurance**:

- i. wrongfully refuses to indemnify the **Insureds** as required under the terms of the **Underlying Insurance**; or
 - ii. fails to indemnify the **Insureds** within 60 days after the **Insureds** request such indemnification; or
 - iii. is financially unable to indemnify the **Insureds**; or
 - iv. files an action to rescind, or states in writing its intent to rescind, the **Underlying Insurance**; or
 - v. as a result of a liquidation or reorganization proceeding commenced by or against the **Company** pursuant to the U.S. Bankruptcy Code, as amended; or pursuant to the Bankruptcy and Insolvency Act R.S.C. 1985, c. B-3, the Companies' Creditors Arrangement Act R.S.C. 1985, c. 11, the Winding Up Act R.S.C. 1985, c. W-11 or under any other federal or provincial act, is unable or refuses to pay the **Insureds** solely because the proceeds of such **Underlying Insurance** are subject to the automatic stay; or
2. according to the terms and conditions of the **Underlying Insurance**, the insurer(s) of the **Underlying Insurance** is not liable for such portion of the **Loss**; or
 3. the limit(s) of liability of the **Underlying Insurance** has been exhausted by reason of **Loss** paid thereunder.

(b) With respect to (a)(1) and (2) above, any coverage shall be subject to all terms, definitions, conditions, exclusions and limitations of this **Policy**.

- (c) With respect to (a)(3) above, and notwithstanding anything in this **Policy** to the contrary, except Clause 4 (Limits Of Liability), Clause 6 (Assistance, Cooperation And Consent), Clause 13 (Loss Provisions), Clause 15 (Notice), Clause 16 (Authority), and any endorsement to this **Policy**, this **Policy** is amended to follow and be subject to the terms and conditions of the Primary Policy set forth in Item 7 of the Declarations.

2. DEFINITIONS

(a) "**Application**" shall mean:

1. the signed, written application for this **Policy**, and for any policy issued by the **Insurer** of which this **Policy** is a direct or indirect renewal or replacement, including the schedules thereto; and
2. all publicly available documents filed by the **Company** with the Securities and Exchange Commission or Ontario Securities Commission during the 12 months preceding inception of this **Policy**.

All such applications and materials are deemed attached to and incorporated into this **Policy**.

(b) "**Claim**" shall mean:

1. any written demand, or any civil, criminal, arbitration, administrative, or regulatory proceeding, for monetary damages or non-monetary or injunctive relief, or any investigation, including a Wells Notice, against any **Insured** for a **Wrongful Act**, including any appeal therefrom;
2. an **Extradition Proceeding**;
3. any request or demand by a regulatory, administrative, governmental or similar authority to interview or depose an **Insured**.

(c) "**Company**" shall mean:

1. the company shown in Item 1 of the Declarations;
2. any company that, prior to the starting date of the **Policy Period**, merged into or consolidated with the company shown in Item 1 of the Declarations and was not the surviving entity;
3. any **Subsidiary** of either such company;
4. if covered in accordance with subpart (a) of Clause 20 (Acquisition, Creation or Disposition of a Subsidiary) below, any other **Subsidiary**;
5. any non-profit organization or corporation, agricultural organization, board of trade, chamber of commerce or registered amateur sports organization exempt from tax under Part I of the Income Tax Act R.S.C. 1985 (5th Supp.) sections 149 and 149.1, or any foundation, charitable trust or political action committee controlled or exclusively sponsored by one or more organizations described in (1) through (4) above; and
6. any organization described in (1) through (5) above as a debtor-in-possession under Canadian or United States bankruptcy law or an equivalent status under the law of any other country.

- (d) "**Defence Costs**" shall mean that portion of **Loss** consisting of reasonable and necessary costs, charges, fees (including but not limited to attorneys' fees and experts' fees) and expenses incurred in the defence or investigation of a **Claim**, whether such **Claim** is ultimately settled or adjudicated, including but not limited to: (i) the cost of defending an **Extradition Proceeding**; (ii) reasonable fees and expenses incurred by the **Insureds** at the **Insurer's** request to assist the **Insurer** in investigating the **Claim**; (iii) costs assessed against the **Insureds**; and, (iv) the premium for appeal, attachment or similar bonds, but shall not include wages, salaries, fees, benefits or office expenses of **Insureds** or employees of the **Company**.
- (e) "**Discovery Period**" shall mean, if elected pursuant to Clause 21, the continuation of the reporting period of this **Policy** in respect of any **Claims** first made against an **Insured** during the one-year period after the end of the **Policy Period**, but only if **Claims** are based on **Wrongful Acts** alleged to have been committed prior to the end of the **Policy Period**.
- (f) "**Domestic Partner**" shall mean any natural person qualifying as a domestic partner under the provisions of any applicable federal, state, provincial or local law or under the provisions of any formal program established by the **Company**.
- (g) "**Extradition Proceeding**" shall mean any formal process by which an **Insured** located in any country is surrendered to any other country for trial or otherwise to answer any criminal accusation.
- (h) "**Independent Directors**" shall mean one or more past, present or future directors or **Managers** (in the United States) of the **Company** who are not and have never been an officer or employee of any **Company**.
- (i) "**Insureds**" shall mean one or more of the following:
1. all natural persons who were, now are, or shall be duly elected or appointed directors, trustees, governors, officers, shadow directors, management committee members, **Managers** (in the United States), in-house general counsel, comptrollers or risk managers of the **Company**, or with respect to any **Company** chartered outside the United States, the functional equivalent of any such executive;
 2. all other persons not described in (1) above who were, now are, or shall be full-time or part-time, seasonal or temporary employees of the **Company**, provided coverage for such other persons shall apply only:
 - i. if such other persons are insureds under the **Underlying Insurance** with respect to the **Claim** against such other persons; and,
 - ii. the **Claim**:
 - (A) is by securities holders of the **Company** in their capacity as such, including without limitation any shareholder derivative or securities class action lawsuit; or
 - (B) is made and continuously maintained against a person described in (1) above;
 3. all persons who were, now are, or shall be serving as directors, officers, trustees, governors, or the equivalent thereof for any **Outside Entity** if:
 - i. such activity is part of their duties regularly assigned by the **Company**; or
 - ii. such activity is at the direction or request of the **Company**; or

- iii. they are a member of a class of persons so directed to serve by the **Company**;
 - 4. the estates, heirs, legal representatives or assigns of deceased **Insureds** and the legal representatives or assigns of **Insureds** in the event of their incompetency, insolvency or bankruptcy; and
 - 5. all natural persons who were, now are, or shall be fiduciaries of any employee pension or other benefit program created for the benefit of the individuals referenced in item 2.i.1 above.
- (j) "**Insurer**" means the Underwriters at Lloyd's of London, England ("**Lloyd's Underwriters**") whose names appear below. The following **Lloyd's Underwriters** have duly authorized Catlin Canada Inc. the **Coverholder**, to execute and sign this **Policy** on their behalf under Agreement No. SC334201146 in the following proportion:

Catlin Syndicate 100.0%
 Syndicate 2003 at Lloyd's

- (k) "**Loss**" shall mean any and all amounts that the **Insureds** are legally obligated to pay by reason of a **Claim** made against the **Insureds** for any **Wrongful Act**, and shall include but not be limited to compensatory, exemplary, punitive and multiple damages, judgments, settlements, pre-judgment and post-judgment interest, and **Defence Costs**; provided, however, **Loss** shall not include taxes, fines or penalties imposed by law, or matters that may be deemed uninsurable under the law pursuant to which this **Policy** shall be construed. The **Insurer** shall not assert that any **Loss** incurred by an **Insured** is uninsurable due to the **Insured's** actual or alleged violation of Section 11 or 12 of the Securities Act of 1933, as amended. ("Fines or penalties" do not include punitive, exemplary, or multiple damages or civil penalties assessed against an **Insured** pursuant to Section 2(g)(2)(B) of the Foreign Corrupt Practices Act, 15 U.S.C. Sec. 78dd-2(g)(2)(B)). The insurability of punitive, exemplary and multiple damages shall be governed by the law of the applicable jurisdiction that most favors coverage for such punitive, exemplary and multiple damages. If the **Insureds** present to the **Insurer** a written opinion from legal counsel that such punitive, exemplary or multiple damages are insurable under such applicable law, the **Insurer** shall not challenge that determination.

Notwithstanding the foregoing, in Canada only, **Loss** will include any liability imposed on the **Insureds** by virtue of a failure of the **Company** to have paid any taxes to the government of Canada or any provincial government in Canada.

Loss also means, where permissible by law: (i) **Defence Costs** incurred by an **Insured** in connection with the defence or appeal of an **Extradition Proceeding**; and, (ii) the premium for a bail bond, if bail is available for an **Extradition Proceeding** in the country at issue, but the **Insurer** shall be under no obligation to provide such bail bond.

- (l) "**Managers**" shall mean, in the United States only, any one or more natural persons who were, now are or shall be a manager, member of the board of managers or equivalent executive of a company that is a limited liability company.
- (m) "**Non-Indemnifiable Loss**" means **Loss** for which the **Company** or, with respect to **Insureds** described in Clause 2(i)(3) above, the **Outside Entity**, is not required or permitted to pay on behalf of or to indemnify the **Insureds** pursuant to law, or the charter or other similar formative document or by-laws or written agreements of the **Company** or the **Outside Entity** duly effective under applicable law, that determines and defines such rights of indemnity; provided, however, a **Company** or **Outside Entity** shall not be considered to be required or permitted to pay on behalf of or to indemnify an **Insured** if:

1. the **Company** and/or the **Outside Entity** refuses to indemnify or advance **Defence Costs** or other **Loss** as required or permitted, or is financially unable to indemnify, or fails to indemnify within 60 days after the **Insureds** request such indemnification; and the **Insureds** comply with Clause 19 (Subrogation) below; or
 2. any receiver, conservator, liquidator, trustee, rehabilitator or similar official is appointed by any state or federal official, agency or court to take control of, supervise, manage or liquidate the **Company**, or the **Company** becomes a debtor-in-possession.
- (n) "**Outside Entity**" shall mean: (i) any organization chartered and operated as a not-for-profit organization; and, (ii) any other not-for-profit or for-profit organization, provided that coverage under this **Policy** for any person serving any such other organization shall apply only if such person is a current or former director, trustee or officer the **Company**.
- (o) "**Policy**" shall mean this insurance policy, including the **Application**, the **Declarations**, and any endorsements hereto issued by the **Insurer**.
- (p) "**Policy Period**" shall mean the period of time stated in Item 2 of the **Declarations**. If this **Policy** is cancelled in accordance with subpart (b) of Clause 7 (Material Changes in Conditions and Cancellation) below, the **Policy Period** shall end upon the effective date of such cancellation.
- (q) "**Subsidiary**" shall mean any entity, in which the company named in Item 1 of the **Declarations**:
1. owns interests representing more than 50% of the voting, appointment or designation power for the selection of a majority of the board of directors if such entity is a corporation, the management committee members if such entity is a joint venture, or the members of the management board if such entity is a limited liability company (in the United States); or
 2. has the right, pursuant to written contract or the by-laws, charter, operating agreement or similar documents of a **Company**, to elect, appoint or designate a majority of the board of directors if such entity is a corporation, the management committee members if such entity is a joint venture, or the members of the management board if such entity is a limited liability company (in the United States), on or before the inception date of the **Policy**, either directly or indirectly, in any combination, by one or more other **Subsidiaries**.
- (r) "**Underlying Insurance**" shall mean the directors and officers liability insurance policies scheduled in Item 7 of the **Declarations**.
- (s) "**Wrongful Act**" shall mean any actual or alleged error, misstatement, misleading statement or act, omission, neglect, or breach of duty by the **Insureds** while acting, individually or collectively, in their capacities as **Insureds**, any other matter claimed against them by reason of their serving in such capacities, or any matter claimed against a director or officer as a result of his or her status as a director or officer.

All such errors, misstatements, misleading statements or acts, omissions, neglects or breaches of duty actually or allegedly caused, committed, or attempted by or claimed against one or more of the **Insureds** arising out of or relating to the same or series of related facts, circumstances, situations, transactions or events shall be deemed to be a single **Wrongful Act**.

3. CONDUCT EXCLUSION

The **Insurer** shall not be liable to make any payment for **Loss** in connection with that portion of any **Claim** based upon or attributable to the **Insureds** having gained any personal profit or remuneration to which they were not legally entitled, or having committed any deliberate fraud or deliberate criminal act, if a final adjudication in an underlying proceeding adverse to such **Insureds** establishes that such **Insureds** gained any such personal profit or remuneration, or committed such deliberate fraud or deliberate criminal act; however, this limitation shall not apply to **Defence Costs** or to **Independent Directors**.

Any fact pertaining to any **Insured** shall not be imputed to any other **Insured** for the purpose of determining the application of this exclusion.

4. LIMITS OF LIABILITY

The Limit of Liability in Item 3 of the Declarations is the maximum aggregate liability of the **Insurer** under this **Policy** for all covered **Loss** arising from all **Claims** first made during the **Policy Period**, regardless of the time of payment of **Loss** by the **Insurer** or the number of **Claims**.

Solely with respect to Clause 1, Insuring Clause, section (a)(3) above, liability for any covered **Loss** shall attach to the **Insurer** only after the insurer(s) of the **Underlying Insurance** shall have paid the full amount of the **Underlying Insurance**, and only excess of any required retention and co-insurance amounts under such **Underlying Insurance**.

Defence Costs shall be part of and not in addition to the Limits of Liability as stated in Item 3 of the Declarations, and payment by the **Insurer** of **Defence Costs** shall reduce the applicable Limit of Liability.

Multiple demands, suits or proceedings arising out of the same **Wrongful Act** shall be deemed to be a single **Claim**, which shall be treated as a **Claim** first made during the **Policy Period** in which the first of such multiple demands, suits or proceedings is made against any **Insured** or in which notice of circumstances relating thereto is first given in accordance with subpart (b) of Clause 13 (Loss Provisions) below, whichever occurs first.

5. ALTERNATE DISPUTE RESOLUTION

Only if requested by the **Insureds**, the **Insurer** shall submit any dispute, controversy or claim arising out of or relating to this **Policy** or the breach, termination or invalidity thereof to nonbinding mediation and/or to non-binding arbitration pursuant to such rules and procedures as the parties may agree. If the parties cannot agree on the arbitration rules and procedures, the arbitration shall be administered in accordance with the Arbitration Act, 1991, S.O 1991, c. 17. The arbitration panel shall consist of one arbitrator selected by the **Insureds**, one arbitrator selected by the **Insurer**, and a third independent arbitrator selected by the first two arbitrators. In any such arbitration, each party will bear its own legal fees and expenses.

6. ASSISTANCE, COOPERATION AND CONSENT

The **Insureds** shall provide to the **Insurer** all information, assistance and cooperation which the **Insurer** may reasonably request, and the **Insureds** shall use diligence and prudence in the investigation, defence, negotiation of settlement and settlement of any **Claim**. The **Insureds** shall do nothing that could prejudice the **Insurer's** position or its potential or actual rights of recovery with respect to any **Claim**.

The **Insurer** has no duty to defend any **Claim** and shall not be called upon to assume charge of the investigation, settlement or defence of any **Claim**. However, the **Insurer** shall have the right, but not the duty, and shall be given the opportunity to fully and effectively associate with the **Insureds**, and shall be consulted in advance, regarding the control, investigation,

defence, negotiation of settlement and settlement of any **Claim** that is or may be covered in whole or in part by, or that may cause liability to attach under, this **Policy**.

The **Insureds** shall not offer to settle or settle, assume any obligation, admit any liability or stipulate to any judgment with respect to any **Claim** that is or may be covered in whole or in part by, or that may cause liability to attach under, this **Policy** without the **Insurer's** prior written consent, which shall not be unreasonably withheld. The **Insurer** shall not be liable for or as a result of any offer to settle, settlement, assumed obligation, admission of liability or stipulated judgment to which it has not given its prior written consent.

The failure of any **Insured** to comply with his or her obligations under this Clause, shall not impair the rights of any other **Insured** under this **Policy**.

7. MATERIAL CHANGES IN CONDITIONS AND CANCELLATION

(a) In the event during the **Policy Period**:

1. the **Company** named in Item 1 of the Declarations shall merge into or consolidate with another organization in which the **Company** named in Item 1 of the Declarations is not the surviving entity; or
2. any person or entity or group of persons and/or entities acting in concert shall acquire securities or voting rights which results in ownership or voting control by such person or entity or group of persons or entities of more than 50% of the outstanding securities representing the present right to vote for election or appointment of the board of directors of the company named in Item 1 of the Declarations if the company is a corporation, the management committee members if the company is a joint venture, or the management board if the company is a limited liability company (in the United States);

this **Policy** shall remain in force until the termination of the **Policy Period**, but only with respect to **Claims** for **Wrongful Acts** actually or allegedly taking place before the effective date of said merger, consolidation or acquisition. All premiums paid or due at the time of said merger, consolidation or acquisition shall be fully earned and in no respect refundable.

- (b) This **Policy** may only be cancelled by the **Insurer** for nonpayment of premium by sending notice, in accordance with Clause 15 (Notice) below, to the **Company** stating when, not less than 15 days thereafter, the cancellation shall be effective. The effective date of cancellation stated in the notice shall become the end of the **Policy Period**. All premiums paid or due for this **Policy** shall be fully earned at the time of said end of the **Policy Period**.

If this **Policy** is cancelled by the **Company**, the **Insurer** shall refund the unearned premium computed at the customary short rate. Payment or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of such cancellation, but such payment shall be made as soon as practicable.

8. CHANGES AND ASSIGNMENTS

The terms and conditions of this **Policy** shall not be waived or changed, nor shall an assignment of interest under this **Policy** be binding, except by an endorsement to this **Policy** issued by the **Insurer**.

9. ADVANCEMENT OF DEFENCE COSTS

Except in those instances when the **Insurer** has denied liability for the **Claim** because of the application of one or more coverage issues, if the **Company** refuses or is financially unable to

advance **Defence Costs**, and if the insurer(s) of the **Underlying Insurance** fails or refuses to advance such costs as provided in Clause 1(a) above, the **Insurer** shall, upon request and if proper documentation accompanies the request, advance on behalf of the **Insureds**, or any of them, such **Defence Costs** on a current basis. In the event that the **Insurer** so advances **Defence Costs** and it is finally established that the **Insurer** has no liability hereunder, such **Insureds** on whose behalf advances have been made and the **Company**, to the full extent legally permitted, agree to repay to the **Insurer**, upon demand, all monies advanced.

10. CURRENCY

All premium, limits, retentions, **Loss** and other amounts under this **Policy** are expressed and payable in the currency of Canada, unless specifically stated otherwise on the Declarations.

11. HEADINGS

The descriptions in the headings and sub-headings of this **Policy** are inserted solely for convenience and do not constitute any part of the terms or conditions hereof.

12. INSUREDS' REPORTING DUTIES

The **Insureds** and/or the **Company** shall give written notice to the **Insurer** of any of the following as soon as practicable after the in-house general counsel or risk manager of the **Company** first learns thereof:

- (a) any **Claim** described in Clause 2 (Definitions) above;
- (b) any event described in subpart (a) of Clause 7 (Material Changes And Cancellation) above.

If the **Insureds** and/or the **Company** fail to provide notice of a **Claim** to the **Insurer** as specified above, the **Insurer** shall not be entitled to deny coverage for the **Claim** based solely upon late notice unless the **Insurer** can demonstrate its interests were materially prejudiced by reason of such late notice.

The **Insureds** and the **Company** shall cooperate with the **Insurer** and give such additional information as the **Insurer** may reasonably require.

The **Insureds** and/or the **Company** shall give written notice to the **Insurer** within 30 days after the in-house general counsel or risk manager of the **Company** first receives or has notice of any:

- (a) material change in the terms or conditions of the **Underlying Insurance**; or
- (b) nonrenewal or cancellation of the **Underlying Insurance**,

occurring during the **Policy Period** or the **Discovery Period** (if elected pursuant to Clause 21 below) and any additional premium reasonably required by the **Insurer** as a result of such change, nonrenewal or cancellation shall be paid within 30 days of the request thereof by the **Insurer**.

13. LOSS PROVISIONS

- (a) The time when a **Claim** shall be made for purposes of determining the application of Clause 1 (Insuring Clause) above shall be the date on which the **Claim** is first made against the **Insured**.
- (b) If during the **Policy Period** or the **Discovery Period** (if elected pursuant to Clause 21 below), the **Insureds** or the **Company** shall become aware of any circumstances

that may reasonably be expected to give rise to a **Claim** being made against the **Insureds** and shall give written notice to the **Insurer** of the circumstances and the reasons for anticipating a **Claim**, with particulars as to dates and persons involved, including the nature of the **Wrongful Act**, the alleged injury, the names of the claimants, and the manner in which the **Insureds** or **Company** first became aware of the facts or circumstances, then any **Claim** that is subsequently made against the **Insureds** arising out of such circumstances shall be treated as a **Claim** made during the **Policy Period** in which the **Insureds** or the **Company** gave such notice. No coverage is provided for fees, expenses and other costs incurred prior to the time such **Wrongful Act** results in a **Claim**.

- (c) The **Company** and the **Insureds** shall give the **Insurer** such information and cooperation as it may reasonably require and as shall be in the **Company's** and the **Insureds'** power.

14. OTHER INSURANCE

If other valid and collectible insurance with any other insurer, whether such insurance is issued before, concurrent with, or after inception of this **Policy**, is available to the **Insureds** covering a **Claim** also covered by this **Policy**, other than the **Underlying Insurance** and insurance that is issued specifically as insurance in excess of the insurance afforded by this **Policy**, this **Policy** shall be in excess of and shall not contribute with such other insurance. Without limiting the foregoing, this **Policy** is specifically excess of and shall not contribute with any insurance which is maintained by an **Outside Entity** and available to an **Insured**.

15. NOTICE

All written notices of cancellation and nonrenewal from the **Insurer** to the **Company** shall be mailed by certified mail to the **Company**, and by first-class mail to the agent or broker of record, at the last mailing addresses known to the **Insurer**. Notice of cancellation and nonrenewal shall state the reason(s) for such, where required by law.

All other notices under any provision of this **Policy** shall be in writing and given by prepaid express courier or electronic service properly addressed to the appropriate party at the respective addresses as shown in Items 5 and 6 of the Declarations. Notice so given shall be deemed to be received and effective upon actual receipt thereof by the party or one day following the date such notice is sent, whichever is earlier. Notice to the **Insurer** of any **Claim** or **Wrongful Act**, or any other notice, shall be directed to the attention of the **Insurer's** Catlin Canada Claims Department.

Proof of mailing shall be sufficient proof of notice.

16. AUTHORITY

By acceptance of this **Policy**, the **Company** named in Item 1 of the Declarations agrees to represent the **Insureds** with respect to all matters under this **Policy**, including, but not limited to, the giving and receiving of notice of **Claim** or cancellation or desire not to extend the **Policy** or election of the **Discovery Period**, the payment of premiums, the receiving of **Loss** payments and any return premiums that may become due under this **Policy**, the requesting, receiving, and acceptance of any endorsement to this **Policy**, and the submission of a dispute to arbitration.

The **Insureds** agree that said **Company** shall represent them but, for purposes of the investigation, defence, settlement, or appeal of any **Claim**, all similarly situated **Insureds** who are named as defendants in the **Claim** may, upon notice to the **Insurer**, replace said **Company** with another agent to represent them with respect to the **Claim**, including giving and receiving of notice of **Claim** and other correspondence, the receiving of **Loss** payments,

and the submission of a dispute to arbitration or mediation.

17. NON-RESCISSION AND SEVERABILITY

This Policy shall not be rescinded by the Insurer in whole or in part for any reason.

All warranties, statements and representations contained in or incorporated into the Application have been made to the Insurer. This Policy is issued in reliance upon the truth of such warranties, statements and representations. The knowledge of any Insured shall not be imputed to any other Insured.

18. SPOUSAL LIABILITY

If a Claim against an Insured includes a Claim against the Insured's lawful spouse or Domestic Partner solely by reason of: (i) such spouse's or Domestic Partner's status as a spouse or Domestic Partner of the Insured; or, (ii) such spouse's or Domestic Partner's ownership interest in property which the claimant seeks as recovery for alleged Wrongful Acts of the Insured, all loss which such spouse or Domestic Partner becomes legally obligated to pay by reason of such Claim shall be treated for purposes of this Policy as Loss which the Insured becomes legally obligated to pay by reason of the Claim made against the Insured. Such spousal or Domestic Partner loss shall be covered under the Policy only if and to the extent such loss would be covered if incurred by the Insured.

The coverage extension afforded by this Clause 18 does not apply to the extent such Claim alleges a Wrongful Act or omission by the Insured's spouse or Domestic Partner.

19. SUBROGATION

- (a) Inasmuch as this Policy is excess insurance, the Insureds' right of recovery against any person or organization cannot be exclusively subrogated to the Insurer. It is, therefore, understood and agreed that in case of any payment hereunder, the Insurer will act in concert with all other interests concerned (including the Insureds'), in the exercise of such rights of recovery. The apportioning of any amounts that may be so recovered shall follow the principle that any interest (including the Insureds') that has paid an amount over and above any payment hereunder, shall first be reimbursed up to the amount paid by it; the Insurer is then to be reimbursed out of any balance then remaining up to the amount paid hereunder; lastly, the interests (including the Insureds') of which this coverage is in excess are entitled to claim the residue, if any. Expenses necessary to the recovery of any such amounts shall be apportioned between the interests concerned (including the Insureds'), in the proportion of their respective recoveries as finally settled. If there should be no recovery in proceedings instituted solely on the initiative of the Insurer, the expenses thereof shall be borne by the Insurer.
- (b) The Insureds shall execute all papers reasonably required and shall take all reasonable actions that may be necessary to secure the rights of the Insurer, including the execution of such documents necessary to enable the Insurer effectively to bring suit in the name of the Insureds, including but not limited to an action against the Company or the insurer(s) of the Underlying Insurance for nonpayment of indemnity due and owing to the Insureds by the Company or the insurer(s), respectively.
- (c) In no event shall the Insurer exercise its right of subrogation against an Insured unless and to the extent Clause 3, Conduct Exclusion, applies to such Insured.
- (d) With respect to Insuring Clause (a)(1)(iv) above, any payment made by the Insurer under this Policy ("Bankruptcy Payment") is not intended to be a payment in satisfaction of the obligations under the Underlying Insurance, but, rather, an advance of funds subject to repayment as provided in this Clause 19, and that, subject to

reinstatement pursuant to section (d)(2) below, all **Bankruptcy Payments** shall reduce and/or exhaust the limits of liability of this **Policy** to the same extent as any payment of **Loss** by the **Insurer** to the **Insureds** hereunder.

In the event of any **Bankruptcy Payment**:

1. the **Insureds** hereby assign to the **Insurer** all their rights under the **Underlying Insurance** to obtain payment of the amounts of the **Bankruptcy Payments**, which assignment shall be the **Insureds'** sole obligation as respects their repayment of the **Bankruptcy Payments**; and
2. notwithstanding any subrogation provisions or other provisions of the **Policy**, any recoveries by the **Insurer** pursuant to (1) above shall be the sole property of the **Insurer**, but an amount equal to the amount of such recoveries, minus all costs incurred by the **Insurer** to obtain such recoveries, shall reinstate, in such amount, as of the date each recovery is received by the **Insurer**, the limits of liability of this **Policy** that were eroded or exhausted by **Bankruptcy Payments**.

20. ACQUISITION, CREATION OR DISPOSITION OF A SUBSIDIARY

- (a) If, during the **Policy Period**, the **Company** acquires voting securities in another organization or creates another organization which as a result of such acquisition or creation becomes a **Subsidiary**, or acquires any organization by merger into or consolidation with the **Company**, then, subject to the terms and conditions of this **Policy** including the following paragraphs of this section (a), such organization's **Insureds** shall be covered under this **Policy** but only with respect to **Claims for Wrongful Acts** taking place after such acquisition or creation, unless the **Insurer** agrees to provide coverage by endorsement for **Wrongful Acts** taking place prior to such acquisition or creation.

If the total assets of such acquired or created organization, as reflected in the then most recent consolidated financial statements of the organization, exceed 25% of the total assets of the **Company** named in Item 1 of the Declarations, and the **Subsidiaries** as reflected in the then most recent consolidated financial statements of the **Company** named in Item 1 of the Declarations, coverage shall be provided for any persons of such acquired or created organization who would otherwise fall within the definition of **Insured** for a period of 30 days after the effective date of such acquisition or creation, or until the end of the **Policy Period**, whichever is earlier, so long as the **Company** named in Item 1 of the Declarations gives written notice of such acquisition or creation to the **Insurer** prior to the end of the **Policy Period**. Coverage otherwise afforded under this paragraph for such persons of such acquired or created organization who would otherwise fall within the definition of **Insured** shall terminate 30 days after the effective date of such acquisition or creation, or at the end of the **Policy Period**, whichever is earlier, unless the **Company** named in Item 1 of the Declarations agrees to and pays any additional premium required by the **Insurer**, and agrees to any additional terms and conditions of this **Policy** as required by the **Insurer**.

- (b) Coverage shall not apply to directors, **Managers** (in the United States), officers and employees of any subsidiary, including a **Subsidiary** as defined in Clause 2 (Definitions) above, for **Claims for Wrongful Acts** actually or allegedly taking place subsequent to the date that the **Subsidiary** ceases to be a **Subsidiary**.

21. DISCOVERY PERIOD

- (a) If the **Insurer** or the **Company** elects not to renew this **Policy**, then the **Insureds** shall have the right, upon payment of an additional premium set forth in Item 4 of the Declarations, to a continuation of the reporting period of this **Policy** in respect of any **Claims** first made against an **Insured** during the period set forth in Item 4 of the Declarations, but only if the **Claims** are based on **Wrongful Acts** alleged to have been

committed prior to the end of the **Policy Period**. Such **Claims** shall be deemed to have been made during the **Policy Period**, provided that notification of each **Claim** is in accordance with Clause 12 above. The right to elect the **Discovery Period** shall terminate, however, unless written notice of such election together with the additional premium is received by the **Insurer** within 30 days after the end of the **Policy Period**. Any premium paid for the **Discovery Period** is not refundable.

- (b) The offer by the **Insurer** of renewal at a premium different from the premiums for the expiring **Policy Period** shall not constitute an election by the **Insurer** not to renew this **Policy**.
- (c) The Limit of Liability provided during the **Discovery Period** is part of and not in addition to the Limit of Liability provided during the **Policy Period**, and there shall be no separate or additional Limit of Liability for the **Discovery Period**.

22. BANKRUPTCY

Bankruptcy or insolvency of the **Company** or any **Insured** shall not relieve the **Insurer** of its obligations nor deprive the **Insurer** of its rights or defences under this **Policy**.

In the event a liquidation or reorganization proceeding is commenced by or against a **Company** pursuant to the United States Bankruptcy Code, as amended, or pursuant to the Bankruptcy and Insolvency Act R.S.C. 1985, c. B-3, the Companies' Creditors Arrangement Act R.S.C. 1985, c. 11, the Winding Up Act R.S.C. 1985, c. W-11 or under any other federal or provincial act, or any similar state, local, or foreign law, the **Company** and the **Insureds** hereby: (i) waive and release any automatic stay or injunction which may apply in such proceeding to this **Policy** or its proceeds under such Bankruptcy Code or law; and, (ii) agree not to oppose or object to any efforts by the **Insurer**, the **Company** or any **Insured** to obtain relief from any such stay or injunction.

In the event the **Company** becomes a debtor-in-possession or equivalent status under the United States Bankruptcy Code or the law of any other country and the aggregate **Loss** due under this **Policy** exceeds the remaining available Limit of Liability, the **Insurer** shall:

1. first pay such **Loss** allocable to **Wrongful Acts** that are actually or allegedly caused, committed, or attempted prior to the **Company** becoming a debtor-in-possession or such equivalent status, then
2. with respect to whatever remaining amount of the Limit of Liability is available after payment under (1) above, pay such **Loss** allocable to **Wrongful Acts** that are actually or allegedly caused, committed, or attempted after the **Company** became a debtor-in-possession.

23. APPEALS

In the event the **Insureds** or the insurer(s) of the **Underlying Insurance** elect not to appeal a judgment, the **Insurer** may elect to make such appeal at its own expense, and shall be liable for any increased award, taxable costs and disbursements and any additional interest incidental to such appeal, to the extent such payments are not covered by other valid and collectible insurance.

24. TERRITORY

This **Policy** shall apply to any **Claim** made against any **Insured** anywhere in the world.



LLOYD'S POLICYHOLDERS' COMPLAINT PROTOCOL

If you have a complaint with any aspect of your Lloyd's insurance, please refer to the broker/agent who arranged your policy for you.

You may contact the General Insurance OmbudService (GIO) who will contact Lloyd's on your behalf. The GIO can be reached at:

GIO - Atlantic Provinces
(902) 429-2730 Toll-free: 1-800-565-7189
www.gio-scad.org

Province of Quebec
GIO
(514) 288-6015 Toll-free: 1-800-361-5131
www.gio-scad.org

GIO - British Columbia & Yukon
(604) 684-3635 Toll-free: 1-877-772-3777
www.gio-scad.org

OR

Autorité des marchés financiers (l'Autorité)
Québec City: (418) 525-0311
Montréal: (514) 395-0311
Toll-free: 1-866-526-0311
E-mail: renseignements-
consommateur@lautorite.qc.ca

GIO - Ontario
(416) 362-9528 Toll-free: 1-800-387-2880
www.gio-scad.org

GIO - Prairies, Northwest Territories & Nunavut
(780) 423-2212 Toll-free: 1-800-377-6378
www.gio-scad.org

GIO - Alberta
(780) 421-8181 Toll-free: 1-888-421-4212
www.gio-scad.org

For more information or to submit the facts of your insurance-related dispute, please visit the GIO website at www.gio-scad.org.

Should you be dissatisfied with the outcome of your broker's resolution or with the GIO's/l'Autorite's assistance, please submit your written complaint to:

Lloyd's Canada Inc.
Broker Management Services
1155 rue Metcalfe, Suite 2220
Montreal, Quebec H3B 2V6

Tel: 1-877-4LLOYDS
Fax: (514) 861-0470
E-mail: lineage@lloyds.ca

Your written complaint will be forwarded to Lloyd's Complaints Department in London which ensures that Lloyd's Underwriters and their representatives deal with claims and complaints in an acceptable manner. It acts as an impartial mediator. When undertaking a review this Department takes account of general legal principles, good insurance practice, and whether all events surrounding a given case have been considered fairly.

If you are dissatisfied with Lloyd's final letter, you may ask the GIO to arrange for mediation. Mediation is not available until Lloyd's has issued its final letter of position on your complaint.

In Quebec you may also avail yourself of the services of l'Autorité who will study your file and may recommend mediation, if it deems this action appropriate and if both parties agree to it.

GIO - Alberta can be contacted where a policyholder is not satisfied with the basis on which a premium for basic coverage for a private passenger vehicle was determined, or considers that an insurer, directly or indirectly, has taken an adverse contractual action with respect to insurance for basic coverage.



NOTICE CONCERNING PERSONAL INFORMATION

By purchasing insurance from certain Underwriters at Lloyd's, London ("Lloyd's"), a customer provides Lloyd's with his or her consent to the collection, use and disclosure of personal information, including that previously collected, for the following purposes:

- The communication with Lloyd's policyholders
- The underwriting of policies
- The evaluation of claims
- The detection and prevention of fraud
- The analysis of business results
- Purposes required or authorized by law

For the purposes identified, personal information may be disclosed to Lloyd's related or affiliated organizations or companies, their agents/mandataries, and to certain non-related or unaffiliated organizations or companies.

Further information about Lloyd's personal information protection policy may be obtained from the customer's broker or by contacting Lloyd's on 514-861-8361 or through info@lloyds.ca



ENDORSEMENT NO. 1

Attaching to Policy No. **DY884081**

In the name of: **Catalyst Paper Corporation** and/or others as more fully set forth elsewhere in this Policy

Effective Date: **May 1, 2011**

CANCELLATION CLAUSE AMENDED

In consideration of the premium charged, it is understood and agreed that Clause 7. (b) is deleted in its entirety and replaced by the following:

7. MATERIAL CHANGES IN CONDITIONS AND CANCELLATION

(b) This **Policy** may only be cancelled by the **Insurer** for nonpayment of premium by sending notice, in accordance with Clause 15 (Notice) below, to the **Company** stating when, not less than 15 days thereafter, the cancellation shall be effective. The effective date of cancellation stated in the notice shall become the end of the **Policy Period**. All premiums paid or due for this **Policy** shall be fully earned at the time of said end of the **Policy Period**.

This **Policy** is non-cancellable by the **Company** if any receiver, conservator, liquidator, trustee, rehabilitator or similar official is appointed by any state or federal official, agency or court to take control of, supervise, manage or liquidate the **Company**, or the **Company** becomes a debtor-in-possession.

If this **Policy** is cancelled by the **Company**, the **Insurer** shall refund the unearned premium computed at the customary short rate. Payment or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of such cancellation, but such payment shall be made as soon as practicable.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Subject to all definitions, provisions, exclusions and conditions of this Policy except as specifically varied or provided by the terms of this Endorsement.



ENDORSEMENT NO. 2

Attaching to Policy No. **DY884081**

In the name of: **Catalyst Paper Corporation** and/or others as more fully set forth elsewhere in this Policy

Effective Date: **May 1, 2011**

UNDERLYING INSURANCE CANCELLATION BY TRUSTEE ENDORSEMENT

In consideration of the premium charged, it is understood and agreed that 1. INSURING CLAUSE, Item 1(a), 1(b) and 1(c) are deleted in their entirety and replaced by the following:

1. INSURING CLAUSE

(a) The Insurer shall pay on behalf of the Insureds all **Non-Indemnifiable Loss** that the Insureds become legally obligated to pay by reason of any **Claim** first made against the Insureds during the **Policy Period** or, if elected, the **Discovery Period**, for any **Wrongful Acts** that are actually or allegedly caused, committed, or attempted prior to the end of the **Policy Period** by the Insureds, but only if:

- 1. the insurer(s) of the **Underlying Insurance**:
 - i. wrongfully refuses to indemnify the **Insureds** as required under the terms of the **Underlying Insurance**; or
 - ii. fails to indemnify the **Insureds** within 60 days after the **Insureds** request such indemnification; or
 - iii. is financially unable to indemnify the **Insureds**; or
 - iv. files an action to rescind, or states in writing its intent to rescind, the **Underlying Insurance**; or
 - v. as a result of a liquidation or reorganization proceeding commenced by or against the **Company** pursuant to the U.S. Bankruptcy Code, as amended; or pursuant to the Bankruptcy and Insolvency Act R.S.C. 1985, c. B-3, the Companies' Creditors Arrangement Act R.S.C. 1985, c. 11, the Winding Up Act R.S.C. 1985, c. W-11 or under any other federal or provincial act, is unable or refuses to pay the **Insureds** solely because the proceeds of such **Underlying Insurance** are subject to the automatic stay; or
- 2. according to the terms and conditions of the **Underlying Insurance**, the insurer(s) of the **Underlying Insurance** is not liable for such portion of the **Loss**;
or

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- 3. the limit(s) of liability of the **Underlying Insurance** has been exhausted by reason of **Loss** paid thereunder; or
 - 4. the **Underlying Insurance** has been cancelled prior to its scheduled expiration by any trustee in bankruptcy, receiver, or similar official.
- (b) With respect to (a)(1), (2) and (4) above, any coverage shall be subject to all terms, definitions, conditions, exclusions and limitations of this **Policy**.
- (c) With respect to (a)(3) above, and notwithstanding anything in this **Policy** to the contrary, except Clause 4 (Limits Of Liability), Clause 6 (Assistance, Cooperation And Consent), Clause 13 (Loss Provisions), Clause 15 (Notice), Clause 16 (Authority), and any endorsement to this **Policy**, this **Policy** is amended to follow and be subject to the terms and conditions of the Primary Policy set forth in Item 7 of the Declarations.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Subject to all definitions, provisions, exclusions and conditions of this Policy except as specifically varied or provided by the terms of this Endorsement.



ENDORSEMENT NO. 3

Attaching to Policy No. **DY884081**

In the name of: **Catalyst Paper Corporation** and/or others as more fully set forth elsewhere in this Policy

Effective Date: **May 1, 2011**

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In consideration of the premium charged, it is hereby understood and agreed that:

1. Clause 2(b) (Definition of "**Claim**") is amended by deleting the period at the end of subpart 3 and replacing it with a semicolon, followed by the word "or", followed by the addition of the following new subpart:
 4. the receipt by an **Insured** of a written request to toll or waive a statute of limitations which may be applicable to any **Claim** that may be made against an **Insured**.

2. Clause 2(k) (Definition of "**Loss**") is deleted in its entirety and replaced with the following:
 - (k) "**Loss**" shall mean any and all amounts that the **Insureds** are legally obligated to pay by reason of a **Claim** made against the **Insureds** for any **Wrongful Act**, and shall include but not be limited to compensatory, exemplary, punitive and multiple damages, judgments, settlements, pre-judgment and post-judgment interest, and **Defence Costs**; provided, however, **Loss** shall not include taxes, fines or penalties imposed by law, or matters that may be deemed uninsurable under the law pursuant to which this **Policy** shall be construed. The **Insurer** shall not assert that any **Loss** incurred by an **Insured** is uninsurable due to the **Insured's** actual or alleged violation of Sections 11, 12 or 15 of the Securities Act of 1933, or actual or alleged violation of Sections 130 or 130.1 of the Securities Act, R.S.O. 1990, c. S.5, or similar provisions of any other Canadian federal, provincial or territorial securities laws, all as amended. ("Fines or penalties" do not include punitive, exemplary, or multiple damages or civil penalties assessed against an **Insured** pursuant to Section 2(g)(2)(B) of the Foreign Corrupt Practices Act, 15 U.S.C. Sec. 78dd-2(g)(2)(B), or under any similar or foreign legislation, all as amended). The insurability of punitive, exemplary and multiple damages shall be governed by the law of the applicable jurisdiction that most favors coverage for such punitive, exemplary and multiple damages. If the **Insureds** present to the **Insurer** a written opinion from legal counsel that such punitive, exemplary or multiple damages are insurable under such applicable law, the **Insurer** shall not challenge that determination.

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Notwithstanding the foregoing, in Canada only, **Loss** will include any liability imposed on the **Insureds** by virtue of a failure of the **Company** to have paid any taxes to the government of Canada or any provincial government in Canada or any municipality therein.

Loss also means, where permissible by law: (i) **Defence Costs** incurred by an **Insured** in connection with the defence or appeal of an **Extradition Proceeding**; and, (ii) the premium for a bail bond, if bail is available for an **Extradition Proceeding** in the country at issue, but the **Insurer** shall be under no obligation to provide such bail bond.

3. The second paragraph of Clause 4 (Limits of Liability) is deleted in its entirety and replaced with the following:

Solely with respect to Clause 1, Insuring Clause, section (a)(3) above, liability for any covered **Loss** shall attach to the **Insurer** only after:

1. the insurer(s) of the **Underlying Insurance**; or
2. the **Insureds** pursuant to an agreement with the insurer(s) of the **Underlying Insurance**;

shall have paid the full amount of the **Underlying Insurance**, and only excess of any required retention and co-insurance amounts under such **Underlying Insurance**. The **Insurer** shall recognize payment by the **Insureds** pursuant to an agreement between the **Insureds** and the insurer(s) of the **Underlying Insurance** only if such agreement is limited to issues of coverage under such **Underlying Insurance**, and no other coverage issues, premium amounts, terms or conditions of any other policy. Any payments by the **Insureds** pursuant to an agreement with the insurer(s) of the **Underlying Insurance** in any **Claim** shall not be recognized as reducing or exhausting the limits of liability of the **Underlying Insurance** for any other **Claim**. None of the provisions of this paragraph shall be construed as requiring the **Insurer** to pay any **Loss** before the full amount of the **Underlying Insurance**, plus any required retention and co-insurance amounts under such **Underlying Insurance**, shall have been paid in fact by the insurer(s) of the **Underlying Insurance** or the **Insureds**, as set forth above.

4. Clause 9 (Advancement of Defence Costs) is deleted in its entirety and replaced with the following:

Except in those instances when the **Insurer** has denied liability for the **Claim** because of the application of one or more coverage issues, if the **Company** refuses or is financially unable to advance **Defence Costs**, and if the insurer(s) of the **Underlying Insurance** fails or refuses to advance such costs as provided in Clause 1(a) above, the **Insurer** shall, upon request and if proper documentation accompanies the request, advance on behalf of the **Insureds**, or any of them, such **Defence Costs** on a current basis but no later than ninety (90) days after receipt by the **Insurer** of the account(s) for such **Defence Costs**.

In the event that the **Insurer** so advances **Defence Costs** and it is finally established that the **Insurer** has no liability hereunder, such **Insureds** on whose behalf advances have been made and the **Company**, to the full extent legally permitted, agree to repay to the **Insurer**, upon demand, all monies advanced.

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5. Clause 17 (Non-Rescission and Severability) is deleted in its entirety and replaced with the following:

This **Policy** shall not be rescinded by the **Insurer** in whole or in part for any reason.

All warranties, statements and representations contained in or incorporated into the **Application** have been made to the **Insurer**. This **Policy** is issued in reliance upon the truth of such warranties, statements and representations.

The **Application** for coverage shall be construed as a separate **Application** for coverage by each **Insured**. With respect to the declarations and statements contained in such **Application** for coverage, no statement in the **Application** or knowledge possessed by any one **Insured** shall be imputed to any other **Insured** for the purpose of determining the availability of coverage with respect to **Claims** made against any other **Insured**.

The acts, omissions, knowledge, or warranties of any **Insured** shall not be imputed to any other **Insured** for the purpose of determining if coverage is available under this **Policy**.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Subject to all definitions, provisions, exclusions and conditions of this **Policy** except as specifically varied or provided by the terms of this Endorsement.

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ENDORSEMENT NO. 4

Attaching to Policy No. **DY884081**

In the name of: **Catalyst Paper Corporation** and/or others as more fully set forth elsewhere in this Policy

Effective Date: **May 1, 2011**

AMEND DEFINITION OF SUBSIDIARY ENDORSEMENT

In consideration of the premium charged, it is agreed that Clause 2(q) (Definition of "**Subsidiary**") is deleted in its entirety and replaced with the following:

- (q) "**Subsidiary**" shall mean any entity, in which the company named in Item 1 of the Declarations:
1. owns interests representing more than 50% of the voting, appointment or designation power for the selection of a majority of the board of directors if such entity is a corporation, the management committee members if such entity is a joint venture, or the members of the management board if such entity is a limited liability company (in the United States);
 2. has the right, pursuant to written contract or the by-laws, charter, operating agreement or similar documents of a **Company**, to elect, appoint or designate a majority of the board of directors if such entity is a corporation, the management committee members if such entity is a joint venture, or the members of the management board if such entity is a limited liability company (in the United States), on or before the inception date of the **Policy**, either directly or indirectly, in any combination, by one or more other **Subsidiaries**; or
 3. owns interests representing more than 50% of the voting, appointment or designation power for the selection of a majority of the management committee members of a limited partnership, or has the right, pursuant to written contract or the by-laws, charter, operating agreement or similar documents of a **Company**, to elect, appoint or designate a majority of the management committee members of a limited partnership, on or before the inception date of the **Policy**, either directly or indirectly, in any combination, by one or more **Subsidiaries**.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Subject to all definitions, provisions, exclusions and conditions of this Policy except as specifically varied or provided by the terms of this Endorsement.



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Directors & Officers Liability
Excess Insurance

ENDORSEMENT NO. 1

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the Excess Insurance Policy.

This endorsement, effective	May 1, 2011	forms part of
Policy No.	DOX024658	by ACE INA Insurance
Issued to:	Catalyst Paper Corporation	

RELIANCE ON UNDERLYER'S APPLICATION

It is understood and agreed that, in consideration of the premium paid, in granting coverage under this Policy, the Insurer has relied upon the declarations and statements in the written application for coverage to Chartis Insurance Company of Canada, and any subsequent renewal applications.

All such declarations and statements are the basis of such coverage and shall be considered as incorporated in and constituting part of the policy.

All other terms and conditions of this Policy remain unchanged.

Dated at Toronto this 11th day of May 2011.

ACE INA Insurance

Per: _____
Authorized Agent

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Excess Insurance

ENDORSEMENT NO. 2

THIS ENDORSEMENT CHANGES THE POLICY PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the Excess Insurance Policy.

This endorsement, effective May 1, 2011

forms part of

Policy No. DOX024658

by ACE INA Insurance

Issued to: Catalyst Paper Corporation

STANDARD SUB-LIMIT CLARIFICATION

It is understood and agreed that, in consideration of the premium paid, and unless otherwise endorsed hereto, this Policy does not provide any insurance or follow form to the terms and conditions of any coverage that is subject to a sub-limit on any PRIMARY POLICY or UNDERLYING EXCESS POLICIES (if applicable).

All other terms and conditions of this Policy remain unchanged.

Dated at Toronto this 11th day of May 2011.

ACE INA Insurance

Per: _____
Authorized Agent



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ENDORSEMENT NO.3

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the Excess Insurance Policy.

This endorsement, effective	May 1, 2011	forms part of
Policy No.	DOX024658	by ACE INA Insurance
Issued to:	Catalyst Paper Corporation	

FOLLOW FORM OF DIC POLICY

It is understood and agreed that, in consideration of the additional premium paid, this Policy is amended to read as follows:

1. Section 1, Insuring Agreement, is deleted in its entirety and replaced by the following:
 Except as set forth herein, this Policy provides insurance excess of and in accordance with the provisions of the PRIMARY POLICY as described under ITEM IV of the DECLARATIONS, the provisions of which are hereby incorporated and made a part of this Policy.
2. Section 2, Limit Of Liability And Depletion Of Underlying Limits, is amended to add the following:
 Provided, however, this Policy shall drop down to provide payment for covered Loss, excess of any applicable insurance available under the PRIMARY POLICY or any UNDERLYING EXCESS POLICIES (if applicable) providing coverage in accordance with the terms, definitions, conditions, exclusions and limitations of the PRIMARY POLICY, if the terms of the PRIMARY POLICY would have required the insurer of the PRIMARY POLICY to drop down to provided payment for covered Loss.
3. Section 4, Other Insurance, is deleted in its entirety and replaced by the following:
 Except as set forth in the DECLARATIONS and in Section 2, Limit of Liability And Depletion Of Underlying Limits, the insurance afforded by this Policy shall be excess over the stated limits of liability of any other policy which insures all or part of any claim, whether such other insurance is stated to be primary, contributing, excess, contingent or otherwise, unless such other insurance specifically references this Policy and states that it is excess insurance over the limits of liability provided by this Policy.

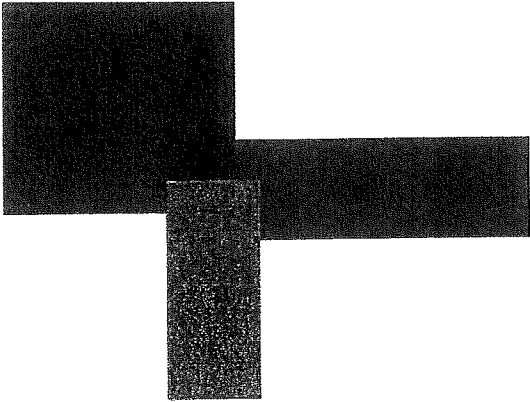
All other terms and conditions of this Policy remain unchanged.

Dated at Toronto this 11th day of May 2011.

ACE INA Insurance

Per: _____
Authorized Agent

exce-085a



Directors & Officers Liability
Excess Insurance

ACE INA Insurance

an ACE Group Company (herein called "the Insurer")

EXCESS INSURANCE POLICY

(herein called "this Policy")

In consideration of the premium paid, and subject to the DECLARATIONS and any endorsements that may provide otherwise, it is understood and agreed that:

1. INSURING AGREEMENT

This Policy provides insurance excess of and in accordance with the provisions of the PRIMARY POLICIES and UNDERLYING EXCESS POLICIES (if applicable) as described under ITEM IV of the DECLARATIONS, the provisions of which are hereby incorporated into and made a part of this Policy provided:

- a) the PRIMARY POLICY and UNDERLYING EXCESS POLICIES (if applicable) are maintained in full effect while this Policy is in force;
- b) in no event shall this Policy grant coverage that is broader than the coverage provided by the most restrictive of the PRIMARY POLICY or any of the UNDERLYING EXCESS POLICIES (if applicable) when all of the terms, conditions and exclusions of such POLICIES are taken into consideration (with the exception of the Limits of Liability Provisions therein); and
- c) in no event shall this Policy cover claims based upon, arising from, or in any manner related to any legal, administrative or alternative dispute resolution proceeding commenced before the PENDING AND PRIOR LITIGATION DATE shown in ITEM VI. of the DECLARATIONS or any claim whenever made arising out of such proceeding.

2. LIMIT OF LIABILITY AND DEPLETION OF UNDERLYING LIMITS

The amount listed in ITEM III. of the DECLARATIONS is the Insurer's maximum aggregate liability for all losses, including defense costs, arising from all claims first made during the Policy Period and any Extended Reporting or Discovery period and is excess to the Limits of Liability of the PRIMARY POLICY and UNDERLYING EXCESS POLICIES (if applicable) described under ITEM IV of the DECLARATIONS.

In the event of the depletion of the Limits of Liability for the PRIMARY POLICY and UNDERLYING EXCESS POLICIES (if applicable) solely as the result of payment of losses thereunder, as long as the Limit of Liability for this Policy has not been exhausted, this Policy shall continue to apply to subsequent claims or losses as excess insurance over the amount of PRIMARY POLICY and UNDERLYING EXCESS POLICIES (if applicable) remaining. In the event of the exhaustion of the Limits of Liability for the PRIMARY POLICY and UNDERLYING EXCESS POLICIES (if applicable) solely as the result of payment of losses thereunder, as long as the Limit of Liability for this Policy has not been exhausted, this Policy shall continue to apply to subsequent claims or losses as primary insurance.

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3. NOTICE, PROOF AND CLAIM PARTICIPATION

It is a condition of this Policy that written notice of any claim under this Policy be given to the Insurer as soon as practicable but in no event later than the notice requirements of the most restrictive of the PRIMARY POLICY or any of the UNDERLYING EXCESS POLICIES (if applicable). Notice shall be sent by delivery, mail or facsimile to the Insurer at the following address:

Attention: Specialty Products Claims
ACE INA Insurance
1200 - 25 York Street
Toronto, Ontario M5J 2V5
Facsimile: (416) 368-0641

The Insurer shall also be provided with such information and cooperation as it may reasonably require.

The Insurer shall at all times have the right, but not the duty, to effectively associate in the investigation, defense or settlement of any claims or losses to which this Policy may apply.

4. OTHER INSURANCE

The insurance afforded by this Policy shall be excess over the stated limits of liability of any other policy which insures all or part of any claim, whether such other insurance is stated to be primary contributing, excess, contingent or otherwise, unless such other insurance specifically references this Policy and states that it is excess insurance over the limits of liability provided by this Policy.

5. SUBROGATION

If the Insurer makes any payment under this Policy, the Insurer shall be subrogated to all of the rights of recovery as are available to the COMPANY named in ITEM I. of the DECLARATIONS, consistent with the provisions of the PRIMARY POLICY and UNDERLYING EXCESS POLICIES (if applicable) but in priority thereto. The COMPANY shall cooperate with the Insurer in securing such rights, and shall not take any action that will defeat or interfere with such rights.

6. TERMINATION

All coverage afforded by this Policy shall terminate at the earliest of the following times:

- a) immediately upon the receipt by the Insurer of written notice of cancellation at the address shown above as sent by the COMPANY or any of its authorized agents;
- b) upon expiration of the notice requirements in the PRIMARY POLICY for cancellation by the Insurer after the date on which the Insurer mails to the COMPANY written notice of cancellation to the address shown in Item I. of the DECLARATIONS;
- c) upon expiration of the Policy Period specified in ITEM II. of the DECLARATIONS of this Policy; or
- d) upon expiration or cancellation of the PRIMARY POLICY or UNDERLYING EXCESS POLICIES (if applicable).

The Insurer shall refund the unearned premium computed at customary short rates if this Policy is cancelled by the COMPANY. If cancelled by the Insurer, any refund shall be computed pro rata.



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IN WITNESS WHEREOF, THE Insurer has caused this Policy to be signed by its President & Chief Executive Officer and signed on the DECLARATIONS by a duly Authorized Agent of the Insurer.

A handwritten signature in cursive script, appearing to read 'David Brosnan', followed by a horizontal line extending to the right.

David Brosnan C.E.O.