

Schedule "D"

No. S120712  
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

**ORDER MADE AFTER APPLICATION**

**SALE AND INVESTOR SOLICITATION PROCESS ORDER**

BEFORE THE HONOURABLE )  
MR. JUSTICE SEWELL ) March 21, 2012  
)

ON THE APPLICATION of the Petitioner Parties coming on for hearing at Vancouver, British Columbia, on the 21<sup>st</sup> day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C. Peter Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

1. The sale and investor solicitation procedure described in **Schedule “C”** substantially in the form attached to this Order (the “**SISP**”) is hereby approved and subject to paragraph 2 hereof, the Petitioner Parties, the Monitor and Perella Weinberg Partners are authorized and directed to carry out the SISP in accordance with its terms and this Order and are hereby authorized and directed to take such steps as they consider necessary or desirable in carrying out each of their obligations thereunder.
2. In the event that: (a) the requisite statutory thresholds of support for approval of the Plan, as defined in the Meetings Order of this Court dated March 21, 2012, are not obtained by April 23, 2012; and an application to deem certain non-voting Unsecured Creditors to have voted in favour of the Plan would not result in meeting such statutory thresholds of support; or (b) the Plan is not sanctioned by the Court on or before April 25, 2012 (either occurrence hereinafter referred to as a “**Plan Failure**”), the Petitioner Parties are hereby authorized and directed to commence the SISP within two (2) Business Days thereafter. In the event that the Petitioner Parties fail to commence the SISP in accordance with its terms within such time (the “**SISP Default**”), the Monitor is authorized and directed to commence the SISP within one (1) Business Day of such failure.
3. In the event of a SISP Default:
  - (a) the Monitor is hereby fully and exclusively authorized, empowered and directed to take any and all actions and steps, and execute any and all documents and writings, on behalf, and in the name, of the Petitioner parties pursuant to and in respect of the SISP and this Order;
  - (b) the Monitor is not, and shall not be or be deemed to be, a director, officer or employee of the Petitioner; and
  - (c) notwithstanding anything to the contrary contained in this or any other Order in these proceedings, the Monitor shall not incur any liability or obligation as a result of the enhancement of the Monitor’s powers and duties hereunder, the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, save and except as may result from gross negligence or wilful misconduct of the Monitor. Any liability of the Monitor shall not in any event exceed the aggregate of the quantum of fees and disbursements paid or incurred by the Monitor in connection with the performance of its duties.

4. The Petitioner Parties shall, in the event of a Plan Failure, advertise the SISP in each of *The Globe and Mail (National Edition)*, the *Victoria Times Colonist*, the *Vancouver Sun* and *The Wall Street Journal*.
5. In the event, and only in the event, of a Plan Failure, the Petitioner Parties are hereby authorized and directed to enter into an agreement (the “**Stalking Horse Purchase Agreement**”) with CP Acquisition, LLC (the “**Stalking Horse Bidder**”) in respect of the Stalking Horse Bidder’s offer to purchase all or substantially all of the assets of the Petitioner Parties in connection with the SISP.
6. The Petitioner Parties are hereby further authorized and directed to bring an application before this Court to be heard on or before March 30, 2012, seeking approval of the form of the Stalking Horse Purchase Agreement, which form shall be distributed to the Service List by the Petitioner Parties no later than March 23, 2012.
7. The Petitioner Parties are further authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable in furtherance of this Order and the SISP, including, without limitation, payment of the professional fees and expenses incurred by the Stalking Horse Bidder in respect of the development of the Stalking Horse Purchase Agreement and participation in the SISP in an amount not to exceed \$1,000,000 (the “**Stalking Horse Expense Reimbursement**”).
8. The Amended and Restated Initial Order of this Court dated February 3, 2012, shall be amended to include a charge on the Charged Property (as defined in the Amended and Restated Initial Order), which charge shall not exceed an aggregate amount of \$1,000,000, as security for the payment of the Stalking Horse Expense Reimbursement (the “**Stalking Horse Expense Reimbursement Charge**”). The Stalking Horse Expense Reimbursement Charge shall rank junior in priority and right to (i) the D&O Charge in relation to (a) the Charged Property which constitutes the DIP Lenders’ First Lien Collateral, (b) the Charged Property which constitutes the “Excluded Assets”, and (ii) the Financial Advisor Charge in relation to the Charged Property which constitutes the Notes First Lien Collateral.

9. In connection with the SISP, the Stalking Horse Bidder is authorized to submit a credit bid on behalf of all First Lien Noteholders for an amount up to the Senior Secured Note Claims Amount (as that term is defined in the SISP), and the Stalking Horse Bidder shall be deemed to be the stalking horse bidder for the purposes of the competitive bidding process set out in the SISP.
  
10. In connection with the SISP, pursuant to Clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, Clause 18(1)(i) of the British Columbia *Personal Information Protection Act* and any applicable comparable provincial legislation, the Petitioner Parties shall disclose personal information of identifiable individuals to prospective purchasers or bidders and to their advisors, but only to the extent desirable or required to seek solicitations in respect of the Petitioner Parties' assets and business (each a "**Transaction**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of a Transaction and, if it does not complete a Transaction, shall return all such information to the Petitioner Parties or, in the alternative, destroy all such information. Such purchaser or bidder, if successful, shall be entitled to continue to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Petitioner Parties and shall return all other personal information to the Petitioner Parties or ensure that all other personal information is destroyed.
  
11. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America (including, without limitation, the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to (i) make such orders and to provide such assistance to the Petitioner Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, (ii) grant representative status to any of the Petitioner Parties, and to CPC (as such term is defined in the Initial Order) on behalf of

any or all of the Petitioner Parties, in any foreign proceeding, and (iii) assist the Petitioner Parties, CPC, the Monitor and the respective agents of each of the foregoing in carrying out the terms of this Order.

**APPROVAL**

12. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

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Signature of  
 party  lawyer for the Petitioner Parties  
Bill Kaplan, Q.C. / Peter Rubin

BY THE COURT.

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Registrar

**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



**Schedule “C”**

Procedures for the Sale and Investor Solicitation Process