



This is the 2<sup>nd</sup> affidavit of  
A. Crabtree in this case and was  
made on March 23, 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

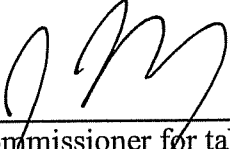
**AFFIDAVIT**

I, **Andrew Crabtree**, of Suite 2600 – 595 Burrard Street, Vancouver, British Columbia, Lawyer,  
AFFIRM THAT:

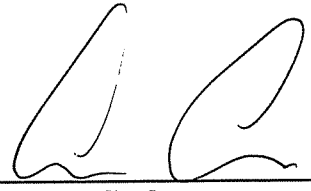
1. I am a lawyer at Blake, Cassels & Graydon LLP, counsel for the Petitioners, and as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify in which case I believe that both the information from the informant and the resulting statement are true.

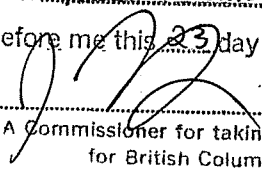
2. Attached as **Exhibit "A"** to my affidavit is a copy of a stalking horse purchase agreement.

AFFIRMED BEFORE ME at Vancouver,  
British Columbia on March 23, 2012.

  
\_\_\_\_\_  
A Commissioner for taking Affidavits for  
British Columbia

JEFFREY LANGLOIS  
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\_\_\_\_\_  
**Andrew Crabtree**

This is Exhibit <sup>68</sup> A referred to in the  
affidavit of Andrew Crabtree  
sworn before me this 23 day of March 20 12  
  
A Commissioner for taking Affidavits  
for British Columbia

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ASSET SALE AGREEMENT

BY AND AMONG

CATALYST PAPER CORPORATION

AND

THE OTHER ENTITIES IDENTIFIED HEREIN AS SELLERS

AND

CP ACQUISITION, LLC

DATED AS OF APRIL \_\_, 2012

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## EXHIBITS

Exhibit A      Relevant Antitrust Authorities

## ASSET SALE AGREEMENT

This Asset Sale Agreement is dated as of April \_\_, 2012, among Catalyst Paper Corporation, a company organized under the Laws of Canada ("*Catalyst*"), the subsidiaries of Catalyst listed on the signature pages hereto (collectively, the "*Sellers*") and CP Acquisition, LLC, a limited liability company organized under the Laws of Delaware (the "*Purchaser*").

### WITNESSETH:

WHEREAS, the Sellers beneficially own and operate the Business (as defined below);

WHEREAS, on January 31, 2012 (the "*Petition Date*"), the Sellers and Catalyst Paper General Partnership (collectively, the "*Canadian Debtors*") filed with the Supreme Court of British Columbia, Vancouver Registry (the "*Canadian Court*") an application for protection under the Companies' Creditors Arrangement Act (the "*CCAA*") (the proceedings commenced by such application, the "*CCAA Cases*") and were granted certain initial creditor protection pursuant to an order issued by the Canadian Court on the same date, as amended and restated on February 3, 2012 (the "*Amended and Restated Initial CCAA Order*"), as the same may be amended and restated from time to time;

WHEREAS, on February 1, 2012, Catalyst, as the foreign representative of the U.S. Debtors, commenced a proceeding to recognize the CCAA Cases pursuant to Chapter 15 of Title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the "*U.S. Bankruptcy Code*") in the United States Bankruptcy Court for the District of Delaware (the "*U.S. Bankruptcy Court*");

WHEREAS, on March 5, 2012 the U.S. Bankruptcy Court granted recognition of the CCAA Cases as foreign main proceedings under Chapter 15 of the U.S. Bankruptcy Code (the "*Chapter 15 Cases*");

WHEREAS, the Sellers have agreed to transfer to the Purchaser or the Designated Purchasers (as defined below), and the Purchaser has agreed to purchase and assume, and cause the Designated Purchasers to purchase and assume, the Assets and the Assumed Liabilities from the Sellers upon the terms and conditions set forth hereinafter (including the Auction). The aggregate Purchase Price (as defined below) to be paid by the Purchaser to Sellers for the Assets will consist of a credit bid by the Purchaser of the amount specified herein against certain amounts owed by Sellers under or in connection with the Senior Secured Notes, together with the cash and the assumption by the Purchaser of the Assumed Liabilities as further set forth in Section 2.2(a);

NOW, THEREFORE, in consideration of the respective covenants, representations and warranties made herein, and of the mutual benefits to be derived hereby (the sufficiency of which are acknowledged), the Parties agree as follows:

## ARTICLE I INTERPRETATION

### 1.1 Definitions.

Capitalized terms used but not otherwise defined herein shall have the meanings set forth below:

***“Advance Ruling Certificate”*** means an advance ruling certificate issued by the Commissioner pursuant to Section 102 of the Competition Act with respect to the transactions contemplated by this Agreement.

***“Action”*** means any litigation, action, suit, charge, binding arbitration or other legal, administrative or judicial proceeding.

***“Affiliate”*** means, as to any Person, any other Person that directly or indirectly through one or more intermediaries Controls, or is under common Control with, or is Controlled by, such Person.

***“Agreement”*** means this Asset Sale Agreement, the Sellers Disclosure Letter and all Exhibits and Schedules attached hereto and thereto and all amendments hereto and thereto made in accordance with Section 10.5.

***“Amended and Restated Initial CCAA Order”*** has the meaning set forth in the recitals to this Agreement.

***“Ancillary Agreements”*** means, in each case in a form reasonably acceptable to the Sellers and the Purchaser: (i) a Bill of Sale for the assignment and conveyance of the Assets from Sellers to Purchaser; (ii) deeds transferring title to the Owned Real Property to Purchaser; (iii) an Assignment and Assumption Agreement for the assignment and assumption of the Assumed Liabilities from the Sellers to the Purchaser; (iv) evidence that such Obligations are to be credited against the aggregate Obligations owing under the Senior Secured Notes Indentures in payment of the Purchase Price; and (v) instruments of assignment of the Patents, Trademarks, Copyrights, and any other assignments or instruments with respect to any Intellectual Property included in the Assets for which an assignment or instrument is required to assign, transfer, convey and deliver such Assets to the Purchaser or to record such assignment, transfer or conveyance with the appropriate government offices, domain name registrars or other similar authorities.

***“Antitrust Approvals”*** means the HSR Approval, the Competition Act Approval, and the Mandatory Antitrust Approvals, as may be required.

***“Antitrust Laws”*** means the Competition Act, the HSR Act, and any competition, merger control and antitrust Law of any other applicable supranational, national, federal, state, provincial or local Law designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolizing or restraining trade or lessening competition of any other country or jurisdiction, to the extent applicable to the transactions contemplated by this Agreement.

***"Asset Allocation Schedule(s)"*** has the meaning set forth in Section 2.2(b).

***"Assets"*** has the meaning set forth in Section 2.1(a).

***"Assigned Contracts"*** means all Designated Seller Contracts other than Non-Assigned Contracts.

***"Assumed Liabilities"*** has the meaning set forth in Section 2.1(c).

***"Auction"*** means an auction for the sale of the Assets conducted in accordance with the Stalking Horse Bid and SISP Orders.

***"Bankruptcy Consents"*** has the meaning set forth in Section 4.1(a).

***"Bankruptcy Court"*** means any or all of, as the context may require, the Canadian Court, the U.S. Bankruptcy Court and any other court before which Bankruptcy Proceedings are held.

***"Bankruptcy Laws"*** means the CCAA, the Bankruptcy and Insolvency Act (Canada), the U.S. Bankruptcy Code and the other applicable insolvency Laws of any jurisdiction where Bankruptcy Proceedings are held.

***"Bankruptcy Proceedings"*** means the CCAA Cases and the Chapter 15 Cases, in each case, any proceedings thereunder, as well as any other voluntary or involuntary bankruptcy, insolvency, administration or similar judicial proceedings concerning any of the Sellers that are held from time to time.

***"Bid Direction Letter"*** means the instruction letter provided to the Trustee and the Collateral Trustee by holders of such majority of the aggregate principal amount of the Senior Secured Notes as is required in accordance with the Senior Secured Notes Indentures, the Security Agreement and the Collateral Trust Agreement to make a credit bid as described in Section 2.2(a).

***"Business"*** means the current business of the Sellers, being the manufacture, production and sale of newsprint, directory, mechanical paper, and market pulp, and all activities incidental thereto.

***"Business Day"*** means a day on which the banks are opened for business (Saturdays, Sundays, statutory and civic holidays excluded) in (i) New York, New York, U.S. and (ii) Vancouver, British Columbia, Canada.

***"Business Information"*** means all books, records, files, documentation and sales literature owned by Sellers and in the possession or under control of the Sellers that are used or held for use in connection with the Business, including information, policies and procedures, Equipment manuals and materials and procurement documentation used in the Business and information received pursuant to Section 2.1(a)(viii), but excluding any Employee Records for Employees or former employees who are not Transferred Employees.

***"Canadian Court"*** has the meaning set forth in the recitals to this Agreement.

*"Canadian Debtors"* has the meaning set forth in the recitals to this Agreement.

*"Canadian Sale Hearing"* has the meaning set forth in Section 5.1(c).

*"Canadian Sale Order"* has the meaning set forth in Section 5.1(c).

*"CCAA"* has the meaning set forth in the recitals to this Agreement.

*"CCAA Cases"* has the meaning set forth in the recitals to this Agreement.

*"Chapter 15 Cases"* has the meaning set forth in the recitals to this Agreement.

*"Claim"* has the meaning set forth in Section 101(5) of the U.S. Bankruptcy Code.

*"Closing"* has the meaning set forth in Section 2.3(a).

*"Closing Date"* has the meaning set forth in Section 2.3(a).

*"Code"* means the United States Internal Revenue Code of 1986, as amended.

*"Collateral Trust Agreement"* means that certain Collateral Trust Agreement dated March 10, 2010 among Catalyst, the guarantor parties thereto, Wilmington Trust, National Association, as Trustee, the other "Secured Debt Representatives" from time to time party thereto, and the Collateral Trustee, as same may have been amended, modified or supplemented from time to time.

*"Collateral Trustee"* means Computershare Trust Company of Canada or any successor collateral trustee.

*"Collective Labor Agreement"* means any agreement that a Person has entered into with any union or collective bargaining agent.

*"Commissioner"* means the Commissioner of Competition appointed under the Competition Act or any person duly authorized to exercise the powers and perform the duties of the Commissioner of Competition.

*"Competition Act"* means the Competition Act (Canada), as amended.

*"Competition Act Approval"* means: (i) the issuance of an Advance Ruling Certificate and such Advance Ruling Certificate has not been rescinded prior to Closing; or (ii) the Purchaser and the Sellers have given the notice required under section 114 of the Competition Act with respect to the transactions contemplated by this Agreement and the applicable waiting period under section 123 of the Competition Act has expired or has been terminated in accordance with the Competition Act and the Purchaser has been advised in writing by the Commissioner that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement ("no-action letter").

***“Competition Tribunal”*** means the Competition Tribunal established under the Competition Tribunal Act (Canada).

***“Consent”*** means any approval, authorization, consent, order, license, permission, permit, including any Environmental Permit, qualification, exemption or waiver by any Government Entity or other Third Party.

***“Contract”*** means any legally binding contract, agreement, obligation, license, undertaking, instrument, lease, ground lease, commitment or other arrangement, whether written or oral.

***“Contract and Cure Schedule”*** has the meaning set forth in Section 2.1(e)(i).

***“Control”***, including, with its correlative meanings, “Controlled by” and “under common Control with”, means, in connection with a given Person, the possession, directly or indirectly, of the power to either (i) elect more than fifty percent (50%) of the directors of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether through the ownership of securities, Contract or otherwise.

***“Copyrights”*** means all U.S., Canadian and foreign copyrights and copyrightable subject matter, whether registered or unregistered, including all U.S. and Canadian copyright registrations and applications for registration and foreign equivalents, all moral rights and rights of attribution and integrity, all common law copyright rights, and all rights to register and obtain renewals and extensions of copyright registrations, together with all other copyright interests accruing by reason of any international copyright convention or treaty.

***“Courts”*** has the meaning set forth in Section 10.7(b).

***“CRA”*** means the Canada Revenue Agency.

***“Cure Cost”*** means, as applicable, (i) with respect to any U.S. Debtor, any amounts or assurances required by Section 365(b)(1) of the U.S. Bankruptcy Code under any applicable Designated Seller Contract or (ii) with respect to any Canadian Debtor, any amounts required to satisfy monetary defaults in relation to the applicable Designated Seller Contract pursuant to Section 11.3 of the CCAA.

***“Debtors”*** means, collectively, the Canadian Debtors and the U.S. Debtors.

***“Designated Purchaser”*** has the meaning set forth in Section 2.4.

***“Designated Seller Contracts”*** means all Contracts and Leases of each Seller that relate to the Business and which are listed in Section 1.1(a) of the Sellers Disclosure Letter, excluding from Section 1.1(a) of the Sellers Disclosure Letter such Contracts or Leases not to be assumed and assigned as requested by notice from the Purchaser pursuant to Section 2.1(e).

***“Designation Deadline”*** means ten (10) Business Days prior to the Closing Date.

***"DIP Claims Amount"*** means the aggregate amount due or accruing due (whether for principal, interest (including default interest), indemnification payments, premiums, charges, fees, costs (including the fees and expenses of legal counsel and other advisors) or otherwise whether ascertained or contingent) to the DIP Lenders pursuant to the DIP Credit Agreement.

***"DIP Credit Agreement"*** means the \$175,000,000 Senior Secured Super-Priority Debtor-in-Possession Term Loan Agreement among the Sellers and the DIP Lenders dated as of February 7, 2012, as amended, modified, supplemented or otherwise, as approved in the Amended and Restated Initial CCAA Order and by an order of the Bankruptcy Court, dated February 3, 2012.

***"DIP Lenders"*** means JPMorgan Chase Bank, N.A., in its capacity as administrative agent, and in its capacity as lender, and such other lenders as may be party to the DIP Credit Agreement from time to time.

***"Employee"*** means each employee of any of the Sellers or their respective Subsidiaries engaged in the Business.

***"Employee Records"*** means books, records, files, or other documentation with respect to Employees or any former employee of any of the Sellers.

***"Employee Transfer Time"*** means with respect to each jurisdiction where Employees will become Transferred Employees in accordance with this Agreement, immediately upon the Closing.

***"Environmental Law"*** means any applicable Law relating to pollution or protection of the environment (including ambient air, surface water, ground water, subsurface or subsurface strata), plant life, animal and fish or other natural resources or human health, including without limitation, Laws relating to the exposure to, or Releases or threatened Releases of, Hazardous Materials or otherwise relating to the manufacture, presence, processing, distribution, use, treatment, storage, Release, transport, disposal, transfer, discharge, control, recycling, production, generation or handling of Hazardous Materials and all Laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials, each as amended and as now in effect.

***"Environmental Permit"*** means any permit, approval, license, certificate, consent, registration, certificate of authorization, waste management plan, operational certificate, approval in principle, certificate of compliance, voluntary remediation agreement or other authorization required under any Environmental Law to (i) conduct the Business as currently conducted or (ii) in relation to the Assets.

***"Equipment"*** means (i) those items of tangible personal or movable property owned by any Seller that are held or used in connection with the Business and (ii) the other items of tangible personal or movable property owned by the Sellers, excluding, in each case, any Inventory, but including all express or implied warranties with respect thereto.

***"ERISA"*** means the Employee Retirement Income Security Act of 1974, as amended.



***“Excluded Assets”*** has the meaning set forth in Section 2.1(b).

***“Excluded Liabilities”*** has the meaning set forth in Section 2.1(c).

***“Excluded Seller Contract”*** means any Contract or Lease of the Sellers that is not a Designated Seller Contract.

***“Expense Reimbursement”*** means all reasonable costs and expenses of the Purchaser and the Designated Purchasers incurred in connection with the development, execution, delivery and approval by the Bankruptcy Courts of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, reasonable expenses of counsel and other outside consultants and financial advisors and reasonable legal expenses related to the transactions contemplated hereby, preparing and negotiating this Agreement and documents related hereto, and conducting due diligence investigations of the Sellers or the Assets), which shall, (i) subject to U.S. Bankruptcy Court approval, constitute in the Chapter 15 Case, a super priority administrative expense under Section 503(b)(1) of the U.S. Bankruptcy Code, junior only to the claims of the lenders under the DIP Credit Agreement; and (ii) in the CCAA Cases, be granted a priority charge against the Charged Property (in accordance with and as defined in the Amended and Restated Initial CCAA Order) of the Canadian Debtors ranking junior only to the DIP Charge, the D&O Charge, the KERP Charge, the Financial Advisor Charge, the Critical Suppliers’ Charge and the Administration Charge (all as defined in the Amended and Restated Initial CCAA Order), and shall in each of the Bankruptcy Proceedings be authorized to be paid by the Stalking Horse and SISP Orders.

***“Final Order”*** means an action taken or order issued by the applicable Government Entity as to which: (i) no request for stay of the action or order is pending, no such stay is in effect, and, if any deadline for filing any such request is designated by statute or regulation, it is passed, including any extensions thereof; (ii) no petition for rehearing or reconsideration of the action or order, or protest of any kind, is pending before the Government Entity and the time for filing any such petition or protest is passed; (iii) the Government Entity does not have the action or order under reconsideration or review on its own motion and the time for such reconsideration or review has passed; and (iv) the action or order is not then under judicial review, there is no notice of leave to appeal, appeal or other application for judicial review pending, and the deadline for filing such notice of appeal or other application for judicial review has passed, including any extensions thereof.

***“Financial Statements”*** has the meaning set forth in Section 4.8.

***“GAAP”*** means the U.S. generally accepted accounting principles.

***“Government Entity”*** means any U.S., Canadian, foreign, domestic, federal, territorial, provincial, state, municipal or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, bureau, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing having jurisdiction.

***“Government Priority Claims”*** means any Taxes withheld by a Seller on behalf of a Government Entity.

**"GST/HST"** means goods and services tax, including harmonized sales tax, payable under Part IX of the Excise Tax Act (Canada).

**"Hazardous Materials"** means (i) petroleum, petroleum products, asbestos in any form, mold, urea formaldehyde foam insulation, lead based paints, polychlorinated biphenyls or any other material or substance regulated pursuant to Environmental Laws, and (ii) any chemical, material or other substance which is regulated, defined or listed, alone or in any combination as "hazardous", "hazardous waste", "radioactive", "deleterious", "effluent", "toxic", "caustic", "dangerous", a contaminant, a pollutant, a "waste", a "special waste", a "source of contamination" or "source of pollution", under any Environmental Law.

**"HSR Act"** means the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

**"HSR Approval"** means expiration of all applicable waiting periods under the HSR Act (including any voluntary agreed extensions) or earlier termination thereof.

**"ICA Approval"** means that the Purchaser shall have received written evidence from the responsible Minister under the Investment Canada Act, on terms and conditions acceptable to the Purchaser, that the Minister is satisfied or is deemed to be satisfied pursuant to the Investment Canada Act that the transactions contemplated by this Agreement are likely to be of net benefit to Canada.

**"Intellectual Property"** means all U.S., Canadian and foreign intellectual and industrial property rights of any kind, including all: (i) Trademarks; (ii) Patents; (iii) inventions, novel devices, processes, compositions of matter, methods, techniques, improvements, observations, discoveries, apparatuses, machines, designs, expressions, theories and ideas, whether or not patentable and whether or not a patent has been issued or a patent application has been made therefor; (iv) Copyrights; (v) mask works; (vi) Trade Secrets, Know-How, and other proprietary, confidential, technical or business information; (vii) Software and technology, (viii) rights of privacy and rights to personal information, (ix) all telephone, telex, and facsimile numbers and Internet protocol addresses, (x) the Sellers' corporate names and (xi) all rights in the foregoing and in other similar intangible assets, and all rights and remedies (including the right to sue for and recover damages, profits and any other remedy) for past, present, or future infringement, misappropriation, or other violation relating to any of the foregoing.

**"Intellectual Property Rights"** has the meaning set forth in Section 4.7.

**"Inventory"** means any inventories of raw materials, manufactured and purchased parts, work in process, packaging, stores and supplies and unassigned finished goods inventories (which are finished goods not yet assigned to a specific customer order), in each case owned by any Seller and held or used in connection with the Business, including any of the above items which is owned by a Seller but remains in the possession or control of a Third Party.

**"Investment Canada Act"** means the Investment Canada Act (Canada), as amended.

**"IRS"** means the United States Internal Revenue Service.

***“Know-How”*** means scientific, engineering, mechanical, electrical, financial, marketing, practical and other similar knowledge or experience useful in the operation of the Business.

***“Knowledge”*** or “aware of” or “notice of” or a similar phrase shall mean, with reference to the Sellers, the actual knowledge of those Persons listed on Section 1.1(b) of the Sellers Disclosure Letter.

***“Law”*** means any U.S., Canadian, foreign, domestic, federal, territorial, state, provincial, local, regional or municipal statute, law, common law, ordinance, rule, regulation, order, writ, injunction, directive, judgment, decree or policy or guideline having the force of law.

***“Leased Real Property”*** has the meaning set forth in Section 4.10(a).

***“Leases”*** has the meaning set forth in Section 4.10(a).

***“Liabilities”*** means debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or undeterminable, including those arising under any Law or Action and those arising under any Contract or otherwise, including any Tax liability.

***“Lien”*** means any lien, mortgage, pledge or security interest, hypothec (including legal hypothecs), encumbrance, servitude, easement, encroachment, right-of-way, restrictive covenant on real or immovable property, real property license, other real rights in favor of Third Parties, charge, prior claim, lease, occupancy agreement, leasing agreement, statutory or deemed trust or conditional sale arrangement.

***“Lots”*** means the specifically identified groups of Assets listed on Section 1.1(c) of the Sellers Disclosure Letter.

***“Mandatory Antitrust Approvals”*** means a decision, in whatever form (including a declaration of lack of jurisdiction or a mere filing or notification, if the Closing can take place, pursuant to the applicable Antitrust Law, without a decision or the expiry of any waiting period) by any Government Entity under the Laws of any of the jurisdictions listed in Exhibit A or the expiry of the applicable waiting period, as applicable, under the Antitrust Laws of any of the jurisdictions listed in Exhibit A, authorizing or not objecting to the transactions contemplated by this Agreement, provided that any terms or conditions attached to such decision are acceptable to the Purchaser, acting reasonably.

***“Material Adverse Effect”*** means any fact, condition, change, violation, inaccuracy, circumstance or event, individually or in the aggregate that (i) has, or is reasonably likely to have, a material adverse effect on the operations, results of operations or condition (financial or otherwise) of the Business, (ii) materially and adversely impairs the Assets or the Business (excluding the Excluded Assets and the Excluded Liabilities), taken as a whole, or (iii) materially and adversely delays or impedes the consummation of the transactions contemplated by this Agreement, in each case except that any such fact, condition, change, violation, inaccuracy, circumstance or event results from or arises out of (a) changes in general economic conditions or changes affecting the industries and markets in which the Business operates (except to the extent that such changes have a disproportionate effect on the Assets or the Business), (b)

macroeconomic factors, interest rates, currency exchange rates, general financial market conditions, acts of God, war, terrorism or hostilities, (c) changes in the North American paper or pulp markets (except to the extent that such changes have a disproportionate effect on the Assets or the Business), (d) the transactions contemplated hereby or any announcement hereof or the identity of the Purchaser or (e) the pendency of the Bankruptcy Proceedings.

***“Material Contracts”*** has the meaning set forth in Section 4.6.

***“Misrepresentation”*** has the meaning ascribed to such term in Section 1(1) of the Securities Act (British Columbia).

***“Monitor”*** means PricewaterhouseCoopers LLP, in its capacity as the Canadian Court-appointed Monitor in connection with the CCAA Cases.

***“Non-Assignable Contracts”*** has the meaning set forth in Section 2.1(e)(iv).

***“Non-Assigned Contracts”*** means the Non-Assignable Contracts to the extent all applicable Consents to assignment thereof to the Purchaser or a Designated Purchaser have not been granted or obtained prior to the Closing Date.

***“Non-Union Employee”*** means an Employee who is not a member of a Union.

***“Obligations”*** has the meaning set forth in the Senior Secured Notes Indentures.

***“Order”*** means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Government Entity.

***“Ordinary Course”*** means the ordinary course of the Business consistent with recent past practice, as such practice is, or may have been, modified as a result of the Bankruptcy Proceedings.

***“Owned Real Property”*** has the meaning set forth in Section 4.10(a).

***“Party”*** or ***“Parties”*** means individually or collectively, as the case may be, the Sellers and the Purchaser.

***“Patents”*** means all U.S., Canadian and foreign (whether national or multinational) statutory invention registrations, patents (including certificates of invention and other patent equivalents), patent applications, provisional patent applications and patents issuing therefrom, industrial designs, and industrial models, as well as all reissues, divisions, substitutions, continuations, continuations-in-part, patent disclosures, extensions and reexaminations, and all rights therein provided by multinational treaties or conventions.

***“Periodic Taxes”*** has the meaning set forth in Section 6.6.

***“Permitted Encumbrances”*** means (i) statutory Liens for Taxes or governmental assessments, charges or claims the payment of which is not yet due, or for Taxes which are being contested in good faith by appropriate proceedings, such contested Taxes set forth in Section

1.1(d) of the Sellers Disclosure Letter, provided any such statutory Liens shall be discharged pursuant to the Sale Orders to the extent permitted by Law; (ii) any Liens imposed by any Bankruptcy Court in connection with the Bankruptcy Proceedings that are to be discharged from the Assets at Closing pursuant to the terms of the Sale Orders; (iii) any other Liens set forth in Section 1.1(d) of the Sellers Disclosure Letter; (iv) purchase money security interest interests on assets that are hereafter acquired by the Sellers; provided the same do not attach to or charge or encumber any other assets and (v) zoning, entitlement, building and land use regulations, minor defects of title, servitudes, easements, rights of way, restrictions and other similar charges or encumbrances which do not impair in any material respect the use or the value of the related assets in the Business as currently conducted.

**"Person"** means an individual, a partnership, a corporation, an association, a limited or unlimited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or other legal entity or Government Entity.

**"Petition Date"** has the meaning set forth in the recitals to this Agreement.

**"Plan Failure"** has the meaning set forth in the Stalking Horse and SISP Order.

**"Post-Closing Tax Period"** has the meaning set forth in Section 6.6.

**"Pre-Closing Tax Period"** has the meaning set forth in Section 6.6.

**"Products"** means any and all products that are developed, manufactured, marketed or sold by or on behalf of the Sellers as part of the Business.

**"Property"** means any interest in any kind of property or asset, whether real (including chattels real), personal or mixed, movable or immovable, tangible or intangible.

**"Public Documents"** means (i) the annual information form for Catalyst dated February 29, 2012; (ii) management's discussion and analysis for Catalyst for the year ended December 31, 2011; (iii) the audited consolidated financial statements of Catalyst as at and for the year ended December 31, 2011, together with the auditors' reports thereon; and (iv) all material change reports filed by Catalyst since December 31, 2011.

**"Purchase Price"** has the meaning set forth in Section 2.2(a).

**"Purchased Deposits"** means all deposits (including customer deposits and security deposits for rent, electricity and otherwise) and prepaid charges and expenses of Sellers, including the right to receive any refund of any unutilized amounts thereof, other than any deposits or prepaid charges and expenses paid in connection with or relating exclusively to any Excluded Assets.

**"Purchaser"** has the meaning set forth in the preamble to this Agreement.

**"Purchaser Disclosure Letter"** means the disclosure schedule delivered by the Purchaser to the Sellers in accordance with Section 1.2(f).

***“Qualifying Jurisdictions”*** means each of the Provinces of Canada and the United States to the extent permitted under applicable state securities or blue sky laws.

***“Regulatory Approvals”*** means the Antitrust Approvals and the ICA Approval.

***“Release”*** means any release, spill, emission, discharge, leaking, pouring, emptying, escaping, dumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property.

***“Remedial Obligations”*** means obligations existing under applicable Law which require one or more Sellers to take action or to cause action to be taken in order to remediate any Property contaminated by or otherwise exposed to any Hazardous Materials.

***“Restructuring and Support Agreement”*** means the Restructuring and Support Agreement, dated March 11, 2012, among Catalyst, certain of its Subsidiaries, and certain consenting noteholders

***“Sale Orders”*** has the meaning set forth in Section 5.1(c).

***“SEC”*** means the United States Securities and Exchange Commission.

***“Securities Commissions”*** means, collectively, the SEC and the securities commissions or similar securities regulatory authorities of all of the Provinces of Canada.

***“Securities Laws”*** means all applicable securities laws in each of the Qualifying Jurisdictions and the respective regulations and rules under such laws together with applicable published policy statements of the Canadian Securities Administrators and the securities regulatory authorities in the Qualifying Jurisdictions, and the applicable rules and policies of the TSX.

***“Security Agreement”*** means the security agreement between certain of the Sellers and the Collateral Trustee dated as of March 10, 2010.

***“Seller Employee Plan”*** means any “employee benefit plan” within the meaning of Section 3(3) of ERISA (whether or not covered by ERISA) and any other employee benefit or compensation plan, program or arrangement, whether written or oral, including any profit sharing, savings, bonus, performance awards, change of control, incentive compensation, deferred compensation, stock purchase, stock option, vacation, leave of absence, employee assistance, automobile leasing/subsidy/allowance, meal allowance, redundancy or severance, relocation, family support, pension, supplemental pension, retirement, retirement savings, post retirement, medical, health, hospitalization or life insurance, disability, sick leave, retention, education assistance, expatriate assistance, compensation arrangement, including any base salary arrangement, overtime, on-call or call-in policy or death benefit plan, program or arrangement or any other similar plan, program, arrangement or policy that is maintained or otherwise contributed to, or required to be maintained or contributed to, by or on behalf of the Sellers or any of their Subsidiaries or Affiliates with respect to Employees, former Employees, retirees or their respective dependents or with respect to which any Seller or any Subsidiary of any Seller

has any direct or contingent Liability, other than government sponsored pension, health care, social security, employment insurance, workers compensation, parental insurance, prescription drugs and similar plans.

**"Sellers"** has the meaning set forth in the preamble to this Agreement.

**"Sellers Disclosure Letter"** means the disclosure schedule delivered by the Sellers to the Purchaser in accordance with Section 1.2(f).

**"Senior Secured Notes"** means the notes issued pursuant to the Senior Secured Notes Indentures.

**"Senior Secured Notes Credit Bid"** has the meaning given to it in Section 2.2(a).

**"Senior Secured Notes Excluded Assets"** means those Assets of the Sellers which are not charged by the security granted to the Collateral Trustee by the Sellers to secure the Obligations owing in respect of the Senior Secured Note Indentures and Senior Secured Notes, namely, the "Excluded Assets" as defined in the Senior Secured Note Indentures and any proceeds of the sale of such Excluded Assets.

**"Senior Secured Notes Indentures"** means (i) that certain Indenture, dated as of March 10, 2010, as amended, modified, supplemented or otherwise in effect from time to time, among Catalyst, as Issuer, the Guarantors, the Collateral Trustee and Wilmington Trust, National Association, as Trustee, together with all attendant notes, instruments, agreements and other documents, as the same have been amended, modified or supplemented from time to time, and (ii) that certain Indenture, dated as of May 19, 2010, as amended, modified, supplemented or otherwise in effect from time to time, among Catalyst, as Issuer, the Guarantors, the Collateral Trustee and Wilmington Trust, National Association, as Trustee, together with all attendant notes, instruments, agreements and other documents, as the same have been amended, modified or supplemented from time to time.

**"SISP"** means the sale and investor process in connection with the sale of the Assets.

**"Software"** means all computer software programs (whether in source code, object code, or other form) and software systems, including all websites, algorithms, databases, compilations and data, tool sets, compilers, higher level or "proprietary" languages, related documentation and technology, technical manuals and materials, and any rights relating to the foregoing.

**"Stalking Horse and SISP Orders"** means the order entered by the Canadian Court approving this Agreement to submit a bid to acquire substantially all of the assets of the Sellers on behalf of the Holders of the Senior Secured Notes, the SISP and the SISP procedures.

**"Straddle Period"** has the meaning set forth in Section 6.6.

**"Subsidiary"** of any Person means any Person Controlled by such first Person.

**"Superior Alternative Offer"** means one or more credible, reasonably certain and financially viable Qualified Bids (as defined in the SISP) that do not, individually or in the

aggregate, constitute a Superior Cash Offer but are approved by the Required Noteholders (as defined in the SISP).

***"Superior Cash Offer"*** means one or more credible, reasonably certain and financially viable Qualified Bids that, individually or in the aggregate, would result in a cash distribution to the holders of the Senior Secured Notes of an amount exceeding the Purchase Price, including any subsequent bid by the Purchaser, on closing of the transaction contemplated by the Qualified Bid, which Qualified Bid also shall provide consideration sufficient to pay in full in cash on closing, or through the assumption of liabilities, (a) any claims ranking senior in priority to the Senior Secured Notes that are or would be payable in the CCAA Cases or Chapter 15 Cases with respect to the Sellers subject to the Qualified Bid, including the DIP Claims Amount, any other claims secured by the court ordered charges granted in the Amended and Restated Initial CCAA Order or any other order of the Canadian Court in the CCAA Cases and any claims in respect of assets of the Sellers to be acquired under the Qualified Bid that are Senior Secured Notes Excluded Assets; and (b) any amounts payable which are determined to have been incurred by the Sellers entirely (x) after the date of the Amended and Restated Initial CCAA Order and before the closing of a transaction hereunder; and (y) in compliance with the Amended and Restated Initial CCAA Order and other Orders made by the Canadian Court in the CCAA Cases with respect to the Sellers.

***"Superior Offer"*** means either a Superior Cash Offer or a Superior Alternative Offer.

***"Tax"*** means any domestic or foreign federal, state, local, provincial, territorial or municipal taxes or other impositions by any Government Entity, including Transfer Taxes and the following taxes and impositions: net income, gross income, capital, value added, goods and services, capital gains, alternative, net worth, harmonized sales, gross receipts, sales, use, ad valorem, business rates, transfer, franchise, profits, business, environmental, real or immovable property, municipal, school, Canada Pension Plan, withholding, workers' compensation levies, payroll, employment, unemployment, employer health, occupation, social security, excise, stamp, customs, and all other taxes, fees, duties, assessments, deductions, contributions, withholdings or charges of the same or of a similar nature, however denominated, together with any interest and penalties, additions to tax or additional amounts imposed or assessed with respect thereto.

***"Tax Act"*** means the Income Tax Act (Canada) and the regulations promulgated thereunder, as amended from time to time.

***"Tax Authority"*** means any local, municipal, governmental, state, provincial, territorial, federal, including any U.S., Canadian or other fiscal, customs or excise authority, body or officials anywhere in the world with responsibility for, and competent to impose, collect or administer, any form of Tax.

***"Tax Returns"*** means all returns, reports (including elections, declarations, disclosures, statements, schedules, estimates and information returns) and other information filed or required to be filed with any Tax Authority relating to Taxes.

***"Third Party"*** means any Person that is neither a Party nor an Affiliate of a Party.



***"Trade Secrets"*** means trade secrets and other confidential or proprietary ideas, concepts, methods, processes, formulae, models, methodologies, algorithms, reports, data, customer lists, mailing lists, business plans, market surveys, market research studies, information contained on drawings and other documents and information (including with respect to research, development and testing).

***"Trademarks"*** means, together with the goodwill associated therewith, all U.S., Canadian, state, provincial and foreign trademarks, service marks, trade dress, logos, slogans, distinguishing guises and indicia, trade names (including all assumed or fictitious names under which the Business has been conducted), corporate names, business names, domain names, and any other indicia of source or sponsorship of goods or services, whether or not registered, including all common law rights, and registrations, applications for registration and renewals thereof, including all marks registered in the Canadian Intellectual Property Office, the United States Patent and Trademark Office, the trademark offices of the states and territories of the U.S., and the trademark offices of other nations throughout the world and all rights therein, including those provided by multinational treaties or conventions.

***"Transaction Documents"*** means this Agreement, the Ancillary Agreements and all other ancillary agreements to be entered into, or documentation delivered by, any Party and/or any Designated Purchaser pursuant to this Agreement.

***"Transfer Taxes"*** means all goods and services, sales, excise, use, transfer, gross receipts, documentary, filing, recordation, value-added, stamp, stamp duty reserve, and all other similar taxes, duties or other like charges, however denominated (specifically including British Columbia property transfer tax and harmonized sales tax), in each case including interest, penalties or additions attributable thereto whether or not disputed, arising out of or in connection with the transaction, regardless of whether the Governmental Entity seeks to collect the Transfer Tax from Sellers or Purchaser.

***"Transferred Employee"*** means a (i) Union Employee or (ii) a Non-Union Employee who accepts an offer of employment by, and commences employment with, the Purchaser or a Designated Purchaser, each in accordance with the terms of Section 7.1.

***"Transferred Non-Union Employee"*** means a Transferred Employee who is a Non-Union Employee.

***"Transferred Employee Plan"*** means all Seller Employee Plans listed on Section 1.1(a) of the Purchasers Disclosure Letter, (which schedule shall not include the Catalyst Paper Corporation Retirement Plan for Salaried Employees, nor any other registered pension plan, nor any Seller Employee Plans in respect of post-retirement benefits for the benefit of current and former employees), and which schedule may be amended by the Purchaser in its sole discretion at any time prior to the Closing.

***"Transferred Intellectual Property"*** means all Intellectual Property owned, used, or held for use by or on behalf of a Seller in the Business (or in any product, service, technology or process currently or formerly manufactured, produced, marketed, distributed or offered for sale by or on behalf of a Seller or currently under development by or on behalf of a Seller), including

(i) the Patents listed in Section 1.1(e) of the Sellers Disclosure Letter, (ii) the Trademarks set forth in Section 1.1(f) of the Sellers Disclosure Letter, and (iii) any other Intellectual Property set forth in Section 1.1(g) of the Sellers Disclosure Letter.

“*TSX*” means the Toronto Stock Exchange.

“*Union*” means a union or employee association listed in Section 1.1(h) of the Sellers Disclosure Letter.

“*Union Employee*” means an Employee who is a member of a Union.

“*U.S.*” means the United States of America.

“*U.S. Bankruptcy Code*” has the meaning set forth in the recitals to this Agreement.

“*U.S. Bankruptcy Court*” has the meaning set forth in the recitals to this Agreement.

“*U.S. Debtors*” means the Debtors listed in Section 1.1(i) of the Sellers Disclosure Letter.

“*U.S. Sale Hearing*” has the meaning set forth in Section 5.1(c).

“*U.S. Sale Order*” has the meaning set forth in Section 5.1(c).

“*Wholly-Owned Subsidiary*” means any Subsidiary all of the capital stock in which is held directly or indirectly by the Purchaser.

## 1.2 Interpretation.

(a) Gender and Number. Any reference in this Agreement to gender includes all genders and words importing the singular include the plural and vice versa.

(b) Certain Phrases and Calculation of Time. In this Agreement (i) the words “including” and “includes” mean “including (or includes) without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it, (ii) the terms “hereof”, “herein”, “hereunder” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article, Section, paragraph, Exhibit and Schedule references are to the Articles, Sections, paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified, and (iii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”. If the last day of any such period is not a Business Day, such period will end on the next Business Day.

When calculating the period of time “within” which, “prior to” or “following” which any act or event is required or permitted to be done, notice given or steps taken, the date which is the reference date in calculating such period is excluded from the calculation. If the last day of any such period is not a Business Day, such period will end on the next Business Day.

(c) Headings, etc. The inclusion of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Agreement. All references in this Agreement to any "Section" are to the corresponding Section of this Agreement unless otherwise specified.

(d) Currency. All monetary amounts in this Agreement, unless otherwise specifically indicated, are stated in U.S. currency. All calculations and estimates to be performed or undertaken, unless otherwise specifically indicated, are to be expressed in U.S. currency. All payments required under this Agreement shall be paid in U.S. currency in immediately available funds, unless otherwise specifically indicated herein. Where another currency is to be converted into U.S. currency it shall be converted on the basis of the exchange rate published in the Wall Street Journal for the day in question.

(e) Statutory References. Unless otherwise specifically indicated, any reference to a statute in this Agreement refers to that statute and to the regulations made under that statute as in force from time to time.

(f) Exhibits and Schedules. All Exhibits, the Purchaser Disclosure Letter and the Sellers Disclosure Letter annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set in full herein. Any capitalized terms used in any Exhibit, the Purchaser Disclosure Letter or the Sellers Disclosure Letter but not otherwise defined therein shall be defined as set forth in this Agreement.

## **ARTICLE II**

### **PURCHASE AND SALE OF ASSETS**

#### **2.1 Purchase and Sale.**

(a) Assets. Subject to the terms and conditions of this Agreement, at the Closing, the Purchaser shall, and shall cause the relevant Designated Purchasers to, purchase or be assigned and assume from the relevant Sellers, and each Seller shall sell, transfer, assign, convey and deliver to the Purchaser or the relevant Designated Purchasers all of its right, title and interest in and to the properties and assets of Sellers (other than the Excluded Assets) of every kind and description, wherever located, real, personal or mixed, tangible or intangible, owned, leased, licensed, used or held for use in or relating to the Business (herein collectively called the "**Assets**") free and clear of all Liens and Claims (other than Permitted Encumbrances, except for those Permitted Encumbrances that are to be expunged and discharged pursuant to the Sale Orders) pursuant to the Sale Orders, when granted, including, but not limited to, all right, title and interest of each Seller in, to and under:

(i) other than the Senior Secured Notes Excluded Assets, all cash and cash equivalents, including bank balances, term deposits, supplier deposits and similar instruments, including restricted cash supporting letters of credit;

(ii) accounts receivable, trade accounts, credit receivables, notes receivable, book debts and other debts due or accruing due to any Seller as of the Closing;

(iii) any refunds due from, or payments due on, claims with the insurers of any of the Sellers in respect of losses arising prior to the Closing;

(iv) the Inventory;

(v) the Equipment;

(vi) the Owned Real Property and Leased Real Property;

(vii) the Assigned Contracts;

(viii) the Business Information, subject to Sections 2.1(b)(iii) and 2.1(b)(iv);

(ix) Employee Records, except Employee Records for Employees or former employees who are not Transferred Employees;

(x) the Transferred Intellectual Property;

(xi) to the extent related to the Assets and except as set forth in Section 2.1(b)(v) and Section 2.1(b)(vii), all rights, claims or causes of action of Sellers against Third Parties arising out of events occurring prior to the Closing, including and, for the avoidance of doubt, arising out of events occurring prior to the Petition Date, and including any rights under or pursuant to any and all warranties, representations and guarantees made by suppliers, manufacturers and contractors relating to products sold, or services provided, to Sellers;

(xii) any proprietary rights in Internet protocol addresses, ideas, concepts, methods, processes, formulae, models, methodologies, algorithms, reports, data, customer lists, mailing lists, business plans, market surveys, market research studies, websites, information contained on drawings and other documents, information relating to research, development or testing, and documentation and media constituting, describing or relating to the Intellectual Property, including memoranda, manuals, technical specifications and other records wherever created throughout the world;

(xiii) the Consents of Government Entities (including those listed in Section 2.1(a)(xiii) of the Sellers Disclosure Letter) to the extent transferable at Law;

(xiv) all Products, including all products in development by Sellers;

(xv) all pre-paid expenses of the Business, including any deposits, but not including any rights described in Section 2.1(b)(xi) or amounts in respect of Taxes described in Section 6.6;

(xvi) all telephone, telex and telephone facsimile numbers and other directory listings and e-mail and website addresses used in connection with the Business;

(xvii) all Purchased Deposits;

(xviii) all goodwill associated with the Business or the Assets, including (i) the right to carry on the Business under the name "Catalyst Paper" (ii) all domain names of the Sellers and (iii) all customer lists, files, data and information relating to past and present customers and prospective customers of the Business;

(xix) copies of Tax records related to the Assets and the Business;

(xx) the equity interests listed in Section 2.1(a)(xx) of the Purchaser Disclosure Letter;

(xxi) all amounts remaining in the trust accounts referred to in Section 2.1(b)(xi) following payments of the reasonable fees and disbursements contemplated by such Section;

(xxii) all rights to Tax refunds, credits or similar benefits relating to the Assets or the Business which have not been received by the Sellers as of the Closing Date or have not otherwise been applied by a Tax Authority against any Seller's Taxes;

(xxiii) all rights and assets under any Transferred Employee Plan; and

(xxiv) all other assets (including manufacturing and intangible assets) of the Sellers not specifically included in the definition of Excluded Assets.

(b) Excluded Assets. Notwithstanding anything in this Section 2.1 or elsewhere in this Agreement or in any of the Transaction Documents to the contrary, the Sellers shall retain their respective right, title and interest in and to, and the Purchaser and the Designated Purchasers shall not acquire and shall have no rights with respect to the right, title and interest of the Sellers in and to, the following assets (collectively, the "*Excluded Assets*"):

(i) other than the Assigned Contracts, any rights of the Sellers under any Contract or Lease (including, for the avoidance of doubt, the Excluded Seller Contracts and the Non-Assigned Contracts);

(ii) other than the Sellers listed on Section 2.1(a)(xx) of the Purchaser Disclosure Letter, the minute books and stock ledgers of the Sellers;

(iii) (A) any books, records, files, documentation or literature other than the Business Information, and (B) the Employee Records for Employees or former employees who are not Transferred Employees;

(iv) all rights of the Sellers under this Agreement and the Ancillary Agreements;

(v) all rights and claims of the Sellers against any director, officer, or shareholder (direct or indirect) of the Sellers or any Affiliates of the Debtors;

(vi) all intercompany rights and claims between any Sellers or any other Debtor;

(vii) (A) all of the rights and claims of the U.S. Debtors available to the U.S. Debtors under the U.S. Bankruptcy Code, of whatever kind or nature, as set forth in Sections 544 through 551, inclusive, 553, 558 and any other applicable provisions of the U.S. Bankruptcy Code, and any related claims and actions arising under such Sections by operation of Law or otherwise, including any and all proceeds of the foregoing, and (B) any equivalent rights and claims of the Debtors under the CCAA or other Laws;

(viii) all records prepared in connection with the sale of the Assets to the Purchaser and the Designated Purchasers;

(ix) subject to Section 2.1(a)(xx), all shares, stock or other equity interests in any Person;

(x) any assets set forth on Section 2.1(b)(x) of the Purchaser Disclosure Letter, which schedule may be amended by the Purchaser in its sole discretion: (A) if there is an Auction, one Business Day prior to the Auction or (B) if there is no Auction, at any time prior to the Closing;

(xi) deposits held in trust accounts to secure payment of the reasonable fees and disbursements of the professional advisors of the Debtors and of the Monitor;

(xii) following the Closing, copies of any book, record, literature, list and any other written or recorded information constituting Business Information (the original of which has already been assigned or transferred to Purchaser or a Designated Purchaser) to which the Sellers in good faith determine they are reasonably likely to need access for bona fide Tax or legal purposes; and

(xiii) any proceeds that are Senior Secured Notes Excluded Assets resulting from the sale of any Senior Secured Notes Excluded Assets.

(c) Assumed Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Purchaser shall, and shall cause the relevant

Designated Purchasers to, assume and become responsible for, and perform, discharge and pay when due, the following Liabilities (the "*Assumed Liabilities*"):

(i) all Liabilities of the Sellers under the Assigned Contracts arising after the Closing;

(ii) all Liabilities for, or related to any obligation for, any Tax that the Purchaser or any Designated Purchaser bears under ARTICLE VI (including, for the avoidance of doubt, Transfer Taxes imposed in connection with this Agreement and the transactions contemplated hereunder or any other Transaction Document and the transactions contemplated thereunder);

(iii) all Liabilities under any Transferred Employee Plan;

(iv) any obligation to provide continuation coverage pursuant to COBRA or any similar Law under any Transferred Employee Plan that is a "group health plan" (as defined in Section 5000(b)(1) of the Code) to Transferred Employees and/or their qualified beneficiaries who have a qualifying event after such Transferred Employees' Employee Transfer Time or as otherwise required by applicable law;

(v) all Liabilities with respect to the post-Closing operation of the Business or ownership of the Assets;

(vi) if not paid for in cash as part of the Purchase Price or otherwise paid or satisfied as of the Closing, (a) any claims ranking senior in priority to the Senior Secured Notes that are or would be payable in the CCAA Cases or Chapter 15 Cases with respect to Assets, including the DIP Claims Amount and other claims secured by the court ordered charges granted in the Amended and Restated CCAA Initial Order or any other order of the Canadian Court in the CCAA Cases; and (b) any amounts payable which are determined to have been incurred by the Sellers entirely (x) after the date of the Amended and Restated CCAA Initial Order and before the Closing; and (y) in compliance with the Amended and Restated CCAA Initial Order and other Orders made by the Canadian Court in the CCAA Cases with respect to the Sellers; and

(vii) all Liabilities in respect of Consents arising and relating to the period from and after the Closing Date, including filing and other fees related thereto.

(d) Excluded Liabilities. Notwithstanding any provision in this Agreement to the contrary, other than the Assumed Liabilities, neither the Purchaser nor any of the Designated Purchasers shall assume or shall be obligated to assume or be obligated to pay, perform or otherwise discharge any Liability of Sellers or their Affiliates, and Sellers shall be solely and exclusively liable with respect to all Liabilities of Sellers (collectively, the "*Excluded Liabilities*"). For the avoidance of doubt, the Excluded Liabilities include, but are not limited to, the following:

(i) any Liability of Sellers or their directors, officers, stockholders or agents (acting in such capacities), arising out of, or relating to, this Agreement or the transactions contemplated by this Agreement, whether incurred prior to, at or subsequent to the Closing Date, including, without limitation, all finder's or broker's fees and expenses and any and all fees and expenses of any representatives of Sellers;

(ii) any Liability relating to (i) events or conditions occurring or existing in connection with, or arising out of, the Business as operated prior to the Closing, or (ii) the ownership, possession, use, operation or sale or other disposition prior to the Closing of any Assets (or any other assets, properties, rights or interests associated, at any time prior to the Closing, with the Business);

(iii) any Liability relating to the Assets based on events or conditions occurring or existing prior to the Closing Date and connected with, arising out of or relating to: (i) Hazardous Materials or Environmental Laws, (ii) claims relating to employee health and safety, including claims for injury, sickness, disease or death of any Person or (iii) compliance with any applicable Law relating to any of the foregoing; in each case except for any such Liability that may not be discharged by the Sale Orders;

(iv) any Liability of Sellers under Title IV of ERISA;

(v) any pension or post-retirement Liability of Sellers to their current or former employees which are accrued as of the Closing, whether or not under any Seller Employee Plans, except with respect to any Transferred Employee Plan;

(vi) any Liability for Taxes, other than as set forth in Section 2.1(c)(ii);

(vii) any Liability relating to or arising out of the ownership or operation of an Excluded Asset; and

(viii) other than as expressly set forth herein as an Assumed Liability, any indebtedness of any of the Sellers.

(e) Designation of Designated Seller Contracts; Cure Costs.

(i) Section 2.1(e)(i) to the Sellers Disclosure Letter (as such schedule may be amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement, the "**Contract & Cure Schedule**"), contains a list of each Designated Seller Contract and Sellers' good faith estimate of the amount of Cure Costs applicable to each such Designated Seller Contract (and if no Cure Cost is estimated to be applicable with respect to any particular Contract, the amount of such Cure Cost has been designated for such Contract as "\$0.00"). From the date the Contract & Cure Schedule is provided through (and including) the Designation Deadline, promptly following any changes to the information set forth on such Schedule (including any new Designated Seller



Contracts included in the Assets to which Seller becomes a party and any change in the Cure Cost of any such Contract), Seller shall provide Purchaser with a schedule that updates and corrects the Contract & Cure Schedule. Purchaser may, at any time and from time to time through (and including) the Designation Deadline, include or exclude any Designated Seller Contract from the Contract & Cure Schedule and require the Seller to give notice to the Third Parties to any such Contract of Sellers' assumption and assignment thereof to the Purchaser and the amount of Cure Costs associated with such Designated Seller Contract or the rejection thereof. If any Designated Seller Contract is added to (or excluded from) the Contract & Cure Schedule as permitted by this Section 2.1(e)(i), then the Purchaser and the Sellers shall make appropriate additions, deletions or other changes to any applicable Schedule to reflect such addition or exclusion.

(ii) Sellers shall be responsible for the verification of all Cure Costs for each Designated Seller Contract and shall use commercially reasonable efforts to establish the proper Cure Costs, if any, for each Designated Seller Contract prior to the Closing Date.

(iii) To the extent that any Designated Seller Contract requires the payment of Cure Costs in order to be assigned and assumed pursuant to Section 363 and 365 of the U.S. Bankruptcy Code or Section 11.3 of the CCAA, at the Closing, the Cure Costs related to such Designated Seller Contract shall be paid by Seller to the extent of available cash on the Sellers balance sheet on the Closing Date. Purchaser shall not be required to make any payment for Cure Costs for, or otherwise have any Liabilities with respect to, any Contract that is not a Designated Seller Contract.

(iv) With respect to each Assigned Contract, the Sellers will satisfy any and all Cure Costs on or prior to the Closing to the extent of available cash on the Sellers balance sheet on the Closing Date and the Purchaser will provide adequate assurance of future performance on its behalf and on behalf of its Designated Purchasers as required under the U.S. Bankruptcy Code, including Section 365(f)(2)(B) thereof, and under Section 11.3 of the CCAA and shall cause its Designated Purchasers to perform thereunder as required. Purchaser and Sellers agree that they will promptly take all actions reasonably required to assist in obtaining a Bankruptcy Court finding that there has been an adequate demonstration of adequate assurance of future performance under each Assigned Contract, such as furnishing affidavits, non-confidential financial information or other documents or information for filing with the Bankruptcy Courts and making Purchaser's and Sellers' employees and representatives available to testify before the Bankruptcy Courts, as necessary.

(v) To the extent that any Designated Seller Contract is not capable of being assigned under Section 365 of the U.S. Bankruptcy Code or Section 11.3 of the CCAA (or, if inapplicable, pursuant to other applicable Laws or the terms of such Contract, Lease, or Consent) to the Purchaser or a Designated Purchaser at the Closing without the Consent of the issuer thereof or the other party thereto or

any Third Party (including a Government Entity), and such Consent has not been obtained (collectively, the “*Non-Assignable Contracts*”), this Agreement will not constitute an assignment thereof, or an attempted assignment, unless any such Consent is obtained. Any payment to be made in order to obtain any Consent required by the terms of any Non-Assignable Contract shall be the sole responsibility of the Sellers. If, after giving effect to the provisions of Sections 363 and 365 of the U.S. Bankruptcy Code and Section 11.3 of the CCAA, such Consent is required but not obtained, Seller shall, at Purchaser’s sole cost and expense, cooperate with Purchaser in any reasonable arrangement, including Purchaser’s provision of credit support, designed to provide for Purchaser the benefits and obligations of or under any such Designated Seller Contract, including enforcement for the benefit of Purchaser of any and all rights of Seller against a third party thereto arising out of the breach or cancellation thereof by such third party; provided, that nothing in this Section 2.1(e) shall (x) require Seller to make any significant expenditure or incur any significant obligation on its own or on Purchaser’s behalf or (y) prohibit Seller from ceasing operations or winding up its affairs following the Closing. Any assignment to Purchaser of any Designated Seller Contract that shall, after giving effect to the provisions of Sections 363 and 365 of the U.S. Bankruptcy Code and Section 11.3 of the CCAA, require the Consent of any third party for such assignment as aforesaid shall be made subject to such Consent being obtained. Any contract that would be a Designated Seller Contract but is not assigned in accordance with the terms of this Section 2.1(e) shall not be considered a “Designated Seller Contract” for purposes hereof unless and until such contract is assigned to Purchaser following the Closing Date upon receipt of the requisite consents to assignment and Bankruptcy Court approval.

(vi) Prior to the hearings for the entry of the Sale Orders, the Purchaser shall take such actions as are reasonably requested to provide adequate assurances of its and the relevant Designated Purchasers’ future performance under each applicable Designated Seller Contract to the parties thereto in satisfaction of Section 365(f)(2)(B) of the U.S. Bankruptcy Code or Section 11.3 of the CCAA, as applicable.

## 2.2 Purchase Price.

(a) Purchase Price. Pursuant to the terms and subject to the conditions set forth in this Agreement, in consideration of the sale of the Assets pursuant to the terms hereof, the Purchaser, on its own behalf and as agent for the relevant Designated Purchasers, shall (i) assume from the Sellers and become obligated to pay, perform and discharge, when due, the Assumed Liabilities, (ii) pay to the Sellers an amount equal to Two Hundred Seventy-Five Million Dollars (\$275,000,000) which the Purchaser, on its own behalf and as agent for the relevant Designated Purchasers, shall pay and deliver at the Closing in accordance with Section 2.3(a) ((i) and (ii), collectively, the “*Purchase Price*”). The Purchase Price shall be payable, as determined by the Purchaser, in the form of: (A) a credit bid of an amount of the Obligations then outstanding under the Senior Secured Notes Indentures, *provided* that any such credit bid shall be effected by

the Trustee and the Collateral Trustee pursuant to the Bid Direction Letter (the "**Senior Secured Notes Credit Bid**"), and (B) the payment in full in cash or through the assumption of liabilities, as provided in Section 2.1(c)(vi), 2.2(a) in an amount at least equal to: (I) any claims ranking senior in priority to the Senior Secured Notes that are or would be payable in the CCAA Cases or Chapter 15 Cases with respect to Assets, including the DIP Claims Amount and other claims secured by the court ordered charges granted in the Amended and Restated CCAA Initial Order or any other order of the Canadian Court in the CCAA Cases; (II) the purchase price for any Assets that are Senior Secured Notes Excluded Assets and (III) any amounts payable which are determined to have been incurred by the Sellers entirely (x) after the date of the Amended and Restated CCAA Initial Order and before the Closing; and (y) in compliance with the Amended and Restated CCAA Initial Order and other Orders made by the Canadian Court in the CCAA Cases with respect to the Sellers.

(b) Purchase Price Allocation. Other than with respect to the allocations of the Purchase Price set forth in any Ancillary Agreements relating to the Owned Real Estate, which will be agreed to prior to the Closing, within sixty (60) Days after the Closing Date, Purchaser shall deliver to Sellers and to the Monitor allocation schedule(s) (the "**Asset Allocation Schedule(s)**") allocating the Purchase Price (including specific allocation of the Assumed Liabilities that are liabilities for federal income Tax purposes) on a dollar basis among Sellers and the Assets. The Asset Allocation Schedule(s) shall be reasonable and, to the extent applicable, shall be prepared in accordance with Section 1060 of the Code and the regulations thereunder. Purchaser and Sellers will each file IRS Form 8594, to the extent applicable, and all Tax Returns, in accordance with the Asset Allocation Schedule(s). To the extent applicable, Purchaser, on the one hand, and Sellers, on the other hand, each agrees to provide the other promptly with any other information reasonably required to complete IRS Form 8594.

### 2.3 Closing.

(a) The completion of the purchase and sale of the Assets and the assumption of the Assumed Liabilities (the "**Closing**") shall take place at the offices of the Seller's counsel, Blake, Cassels & Graydon LLP, 2600-595 Burrard Street, Vancouver, British Columbia, commencing at 10:00 a.m. local time on a mutually agreed upon date no later than two (2) Business Days after the day upon which all of the conditions set forth under ARTICLE VIII (other than conditions to be satisfied at the Closing, but subject to the waiver or fulfillment of those conditions) have been satisfied or, if permissible, waived by the Sellers and/or the Purchaser (as applicable), or on such other place, date and time as shall be mutually agreed upon in writing by the Purchaser and the Sellers (the day on which the Closing takes place being the "**Closing Date**"). Legal title, equitable title and risk of loss with respect to the Assets will transfer to the Purchaser or the relevant Designated Purchaser, and the Assumed Liabilities will be assumed by the Purchaser and the relevant Designated Purchasers, at the Closing.

(b) At the Closing:

(i) the Purchaser shall (A) pay to, or cause to be paid to, as directed by the Sellers, the cash portion of the Purchase Price, if any, by wire transfer of immediately available funds to an account designated by the Sellers; and/or (B) cause the Collateral Trustee to credit bid all or a portion of the aggregate Obligations then outstanding under the Senior Secured Notes; *provided that*, contemporaneous with the Closing, all cash and cash equivalents on the balance sheet of the Sellers (other than any cash and cash equivalents that are proceeds, that are not collateral of the DIP Lenders, resulting from the sale of any Assets that are not collateral of the DIP Lenders) shall be used to satisfy or pay down to the extent of such cash the DIP Claims amounts, the Government Priority Claims, the Administration Charge, the D&O Charge, the KERP Charge, the Financial Advisor Charge, the Critical Supplier's Charge and any other part of the cash portion of the Purchase Price.

(ii) the Sellers and the Purchaser shall, and the Purchaser shall cause the Designated Purchasers to, deliver duly executed copies of and enter into the Ancillary Agreements to which it is contemplated that they will be parties, respectively;

(iii) the Sellers and the Purchaser shall, and the Purchaser shall cause the Designated Purchasers to, deliver the officer's certificates required to be delivered pursuant to Section 8.2(a), Section 8.2(b), Section 8.3(a), Section 8.3(b) and Section 8.3(d), as applicable.

(iv) the Sellers shall deliver (i) a certified copy of the Sale Orders and (ii) with respect to the Owned Real Property, any existing surveys, legal descriptions and title policies in the possession of Sellers;

(v) any Seller transferring a "United States Real Property Interest" as defined by Section 897(c) of the Code shall deliver to Purchaser a duly executed and acknowledged certificate, in form and substance acceptable to Purchaser and in compliance with the Code and the treasury regulations thereunder, certifying such facts as necessary to establish that the sale of the United States Real Property Interest is exempt from withholding under Section 1445 of the Code; and

(vi) each Party shall deliver, or cause to be delivered, to the other any other documents reasonably requested by such other Party in order to effect, or evidence the consummation of, the transactions contemplated herein or otherwise provided for under this Agreement.

2.4 Designated Purchaser(s). The Purchaser shall be entitled to designate, in accordance with the terms and subject to the limitations set forth in this Section 2.4, one or more Wholly-Owned Subsidiaries or Affiliates to (i) purchase specified Assets (including specified Assigned Contracts), (ii) assume specified Assumed Liabilities, and/or (iii) employ specified Transferred Employees on and after the Closing Date (any such Wholly-Owned Subsidiary or Affiliate of the Purchaser that shall be properly designated by the Purchaser in accordance with this clause, a "*Designated Purchaser*"). No such designation shall relieve the Purchaser of any

of its obligations hereunder, and the Purchaser and each Designated Purchaser shall be jointly and severally liable for any obligations assumed by any of them hereunder. Any reference to the Purchaser made in this Agreement in respect of any purchase, assumption or employment referred to in Section 2.4(i) to (iii) shall include reference to the appropriate Designated Purchaser, if any. The above designation shall be made by the Purchaser by way of a written notice to be delivered to the Sellers in no event later than the tenth (10th) Business Day prior to Closing which written notice shall contain appropriate information about the Designated Purchaser(s) and shall indicate which Assets, Assumed Liabilities and Transferred Employees (other than Employees which are transferred by operation of Law) the Purchaser intends such Designated Purchaser(s) to purchase, assume and/or employ, as applicable, hereunder and include a signed counterpart to this Agreement in a form acceptable to the Sellers, agreeing to be bound by the terms of this Agreement and authorizing the Purchaser to act as such Designated Purchaser(s)' agent for all purposes hereunder.

### **ARTICLE III** **REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser hereby represents and warrants to the Sellers as follows:

#### **3.1 Organization and Corporate Power.**

(a) The Purchaser is duly organized and validly existing under the Laws of the jurisdiction in which it is organized. Each Designated Purchaser other than the Purchaser is (or will be if not yet formed or incorporated) duly organized and validly existing under the Laws of the jurisdiction in which it is organized. Each of the Purchaser and the Designated Purchasers has (or will have if not yet formed or incorporated) the requisite corporate power and authority to enter into, deliver and perform its obligations pursuant to each of the Transaction Documents to which it is or will become a party.

(b) Each of the Designated Purchasers is (or will be if not yet formed or incorporated) qualified to do business as contemplated by this Agreement and the other Transaction Documents and to own or lease and operate its properties and assets, including the Assets, except to the extent that the failure to be so qualified would not materially hinder, delay or impair the Purchaser's or any such Designated Purchaser's ability to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the Ancillary Agreements to which it is or will become a party.

#### **3.2 Authorization; Binding Effect; No Breach.**

(a) The execution, delivery and performance of each Transaction Document to which the Purchaser or any of the Designated Purchasers is a party, or is to be a party to, have been duly authorized by the Purchaser and the relevant Designated Purchasers, as applicable, at the time of its execution and delivery. Assuming due authorization, execution and delivery by the relevant Sellers, each Transaction Document to which the Purchaser or any Designated Purchaser is a party constitutes, or upon execution thereof will constitute, a valid and binding obligation of the Purchaser or such Designated

Purchaser, as applicable, enforceable against such Person in accordance with its respective terms, except as such enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or general principles of public policy.

(b) The execution, delivery and performance by each of the Purchaser and the Designated Purchasers of the Transaction Documents to which the Purchaser or such Designated Purchaser is, or on the Closing Date will be, a party do not and will not conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, result in a violation of, or require any Consent (other than the Regulatory Approvals or other action by or declaration or notice to any Government Entity) pursuant to (i) the articles, charter, by-laws, partnership agreement or operating agreement of the Purchaser or the relevant Designated Purchaser, (ii) any Contract or other document to which the Purchaser or the relevant Designated Purchaser is a party or to which any of its assets is subject or (iii) any Laws to which the Purchaser, the Designated Purchaser, or any of their assets is subject, except, in the case of (ii) and (iii) above, for such defaults, violations, actions and notifications that would not individually or in the aggregate materially hinder, delay or impair the performance by the Purchaser or the Designated Purchasers of any of their obligations under any Transaction Document.

3.3 No Other Representations or Warranties. Notwithstanding anything contained in this Agreement to the contrary, the Purchaser acknowledges and agrees that none of Sellers, their Affiliates or any other Person is making any representations or warranties whatsoever, express or implied, beyond those expressly given by the Sellers in ARTICLE IV (as modified by the Sellers Disclosure Letter), or with respect to any other information provided to the Purchaser in connection with the transactions contemplated hereby, including without limitation as to the probable success or profitability of the ownership, use or operation of the Business and the Assets after Closing. The Purchaser further represents that none of Seller, their Affiliates or any other Person has made any representation or warranty, express or implied as to the accuracy or completeness of any information regarding the Sellers, the Business or the transactions contemplated by this Agreement not expressly set forth in this Agreement, and none of the Sellers, their Affiliates or any other Person will have or be subject to liability to the Purchaser or any other Person resulting from the distribution to the Purchaser or its representatives of the Purchaser's use of, any such information, including data room information provided to the Purchaser or its representatives, in connection with the sale of the Business. The Purchaser acknowledges that it has conducted to its satisfaction its own independent investigation of the Business and, in making the determination to proceed with the transactions contemplated by this Agreement, the Purchaser has relied on the results of its own independent investigation.

3.4 As Is Transaction. THE PURCHASER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ARTICLE IV OF THIS AGREEMENT, THE SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE ASSETS OR THE BUSINESS. WITHOUT IN ANY WAY LIMITING THE FOREGOING, THE PURCHASER ACKNOWLEDGES THAT THE SELLERS HAVE NOT GIVEN, WILL NOT BE DEEMED TO HAVE GIVEN AND HEREBY DISCLAIM ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY

PARTICULAR PURPOSE AS TO ANY PORTION OF THE ASSETS. ACCORDINGLY, THE PURCHASER SHALL ACCEPT THE ASSETS AT THE CLOSING "AS IS," "WHERE IS," AND "WITH ALL FAULTS."

3.5 Brokers. Except for fees and commissions that will be paid by the Purchaser, no broker, finder or investment banker is entitled to any brokerage, finder's or similar fee or commission in connection with the transactions contemplated by this Agreement and the other Transaction Documents based upon arrangements made by or on behalf of the Purchaser or any of its Affiliates.

3.6 GST/HST Registration. Purchaser, if it is acquiring Assets in Canada, and each Designated Purchaser that acquires Assets in Canada shall be duly registered as of the Closing for the purposes of the Tax imposed under Part IX of the Excise Tax Act (Canada) and shall provide to the Sellers its registration numbers under those statutes no later than ten (10) days prior to Closing.

3.7 Credit Bid. The Trustee and the Collateral Trustee have been directed in writing by holders of such majority of the Obligations as is required in accordance with the Senior Secured Notes Indentures, the Security Agreement and the Collateral Trust Agreement to make the Senior Secured Notes Credit Bid as described in Section 2.2(a) and pursuant to Section 363 of the U.S. Bankruptcy Code or other applicable law in order to pay the Senior Secured Note Credit Bid portion of the Purchase Price. A copy of the Bid Direction Letter will be delivered within 2 days of the Plan Failure Date (as defined in the Restructuring and Support Agreement).

#### **ARTICLE IV** **REPRESENTATIONS AND WARRANTIES OF THE SELLERS**

Except as set forth in the Sellers Disclosure Letter, each of the Sellers jointly and severally represents and warrants to the Purchaser as follows:

##### 4.1 Organization and Corporate Power.

(a) Each Seller is duly organized and validly existing under the Laws of the jurisdiction in which it is organized. Each Seller is in good standing in each of the jurisdictions in which the ownership or leasing of its properties or the conduct of its businesses requires such qualification, except where the failure to so qualify or be licensed would not have a Material Adverse Effect. Subject to the entry of the Stalking Horse and SISP Orders and the Sale Orders from the U.S. Bankruptcy Court and the Canadian Court in connection with the transactions contemplated hereby and in the other Transaction Documents (collectively, the "*Bankruptcy Consents*"), each of the Sellers has the requisite corporate or partnership power and authority to own or lease and to operate and use the Assets and carry on the Business as now conducted and to enter into, deliver and perform its obligations pursuant to each of the Transaction Documents to which it is or will become a party.

(b) Each of the Sellers is qualified to do business and to own and operate its assets, including the Assets, as applicable in each jurisdiction in which its ownership of property or conduct of business relating to the Business requires it to so qualify, except to

the extent that the failure to be so qualified would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

4.2 Subsidiaries and Investments. Except as set forth in Section 4.2 of the Sellers Disclosure Letter, Sellers do not, directly or indirectly, own, of record or beneficially, any outstanding voting securities, membership interests or other equity interest in any Person.

4.3 Authorization; Binding Effect; No Breach.

(a) Subject to the receipt of the Bankruptcy Consents, the execution, delivery and performance of this Agreement by each Seller has been duly authorized by such Seller. Subject to receipt of the Bankruptcy Consents, and assuming due authorization, execution and delivery by the Purchaser, this Agreement will constitute, a legal, valid and binding obligation of each Seller, enforceable against it in accordance with its terms.

(b) Except as set forth in Section 4.3(b) of the Sellers Disclosure Letter, the execution, delivery and performance by each Seller of the Transaction Documents to which such Seller is, or on the Closing Date will be, a party do not and will not conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, result in a violation of, result in the creation or imposition of any Lien upon any of the Assets, or require any Consent (other than the Regulatory Approvals and the Bankruptcy Consents) or other action by or declaration or notice to any Government Entity pursuant to (i) the articles, charter, by-laws, partnership agreement or operating agreement of the relevant Sellers, (ii) any Material Contract to which the relevant Seller is a party or to which any of its assets is subject, (iii) any material Order to which any of the Sellers or any of the Assets are subject, or (iv) any material Laws to which any of the Sellers or any of the Assets are subject.

4.4 Title to Tangible Assets; Sufficiency of Assets.

(a) Immediately prior to Closing, Sellers will have, and, upon delivery to Purchaser on the Closing Date of the instruments of transfer contemplated by Section 2.3(b), and subject to the terms of the Sale Orders, Sellers will thereby transfer to Purchaser good, legal, and valid title to, or, in the case of property leased or licensed by the Sellers, a valid leasehold or licensed interest in, all of the Assets, free and clear of all Liens, except (i) as set forth in Section 4.4(a) of the Sellers Disclosure Letter, (ii) for the Assumed Liabilities and (iii) for Permitted Encumbrances.

(b) The Assets constitute the assets that are necessary and sufficient to conduct the Business substantially in the manner conducted as of the date hereof, except (i) Excluded Seller Contracts, (ii) the Excluded Assets and (iii) the services of Employees who are not Transferred Employees.

4.5 Securities Filings.

(a) Catalyst is a reporting issuer, or holds equivalent status, under the Securities Laws of each of the Provinces of Canada and is in compliance with its obligations under Section 85 of the Securities Act (British Columbia) and under Sections



National Instrument 51-102 and under similar provisions in the Securities Laws of the other Qualifying Jurisdictions.

(b) Each of the consolidated financial statements of Catalyst contained in the Public Documents, including each Public Document filed after the date hereof until the Closing Date, (i) complies or, when filed, will comply as to form in all material respects with the Securities Laws, (b) has been or, when filed, will have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited interim financial statements, as may be permitted by applicable Securities Laws) and (c) fairly presents, or when filed will fairly present, in all material respects, the consolidated financial position of Catalyst and its subsidiaries as at the respective dates thereof and the consolidated results of operations and cash flows for the periods indicated, except that the unaudited interim financial statements may omit footnotes which are not required in unaudited financial statements and are subject to normal year-end adjustments.

(c) The Public Documents were, at their respective time of issue, filing or publication, true and correct in all material respects, contained no Misrepresentations and were prepared in accordance with and complied with the Securities Laws applicable to each such document.

4.6 Material Contracts. Section 4.6 of the Sellers Disclosure Letter sets forth, as of the date hereof, a complete list of every Contract (other than standard purchase orders and invoices) or Lease and any Third Party or intercompany agreements, that:

(a) in the most recent fiscal year of the Sellers resulted in, or is reasonably expected by its terms in the future to result in, the payment or receipt by the Business of more than \$5,000,000 per annum in the aggregate;

(b) materially restricts the Business from engaging in any business activity anywhere in the world;

(c) is a material joint venture Contract or partnership or which otherwise involves the sharing of profits, losses, costs or liabilities in any material fashion with any other Person;

(d) is a sale or distribution Contract involving the sale or distribution of Products valued at more than \$5,000,000 per year,

(e) entered into outside of the Ordinary Course;

(f) has as a party thereto any officer or director of any Seller, any Affiliate of any such officer or director, or any Person in which any officer or director of any Seller has a material interest, other than the Management Services Agreement;

(g) is an employment agreement (other than customary offer letters or unwritten employment agreements that do not contain direct severance terms) or severance agreement; or

(h) is a Contract relating to material Intellectual Property (including Contracts containing any grants of, or restrictions on, rights to use material Intellectual Property).

(all the above, collectively, the "**Material Contracts**"). Except as set forth in Section 4.6 of the Sellers Disclosure Letter, each Material Contract is in full force and effect and is a valid and binding obligation of the Seller party thereto and, to Sellers' Knowledge, the other parties thereto, in accordance with its terms and conditions, except as such enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally. Upon entry of the Sale Orders and payment of any applicable Cure Costs, (i) no Seller will be in breach or default of its obligations under any of the Assigned Contracts, (ii) no condition exists that with notice or lapse of time or both would constitute a default under any of the Assigned Contracts, and (iii) to the Seller's Knowledge, no other party to any of the Assigned Contracts or any other Material Contract is in breach or default thereunder.

**4.7 Intellectual Property.** The Transferred Intellectual Property includes all of the Intellectual Property owned by the Sellers that, as at the Closing Date, is necessary and sufficient to conduct the Business substantially in the manner conducted as of the date hereof, in all material respects. Each Seller owns, free and clear of all Liens, except Permitted Encumbrances, and is properly licensed to use all Intellectual Property necessary for the conduct of its business as currently conducted, except where failure to so own or so license to use any such Intellectual Property, either individually or in the aggregate, would not reasonably be expected to cause a Material Adverse Effect. All material Intellectual Property (but excluding any software which is generally available or otherwise not unique to and customized for use in the business carried on by the Sellers (including, by way of example, generally available word processing or accounting software and generally available software relating to the use of particular Equipment operated by the Sellers in the conduct of their business)) owned or licensed by any Seller and which are necessary for the conduct of the business of the Sellers as currently conducted are described in Section 4.7 of the Sellers Disclosure Letter (collectively, the "**Intellectual Property Rights**"). Except as set forth in Section 4.7 of the Sellers Disclosure Letter, no material claim has been asserted and is pending by any Person challenging or questioning the use by any Seller or the validity or effectiveness of any of the Intellectual Property Rights, except for those that would not reasonably be expected to cause a Material Adverse Effect. Except as disclosed in Section 4.7 of the Sellers Disclosure Letter, to the Knowledge of the Sellers, the use of any Intellectual Property Rights by each Seller, and the conduct of such Seller's business as currently conducted does not infringe or otherwise violate the rights of any Person in respect of any Intellectual Property Rights, except for such claims and infringements that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

**4.8 Litigation.** As of the date hereof (and excluding the CCAA Cases and the Chapter 15 Cases), there is no Action pending or, to the Knowledge of the Sellers, threatened before any Government Entity or arbitration tribunal against any Seller involving the Business or Assets, that would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, other than as set forth in Section 4.8 of the Sellers Disclosure Letter.

#### 4.9 Compliance with Laws; Consents.

(a) No Seller is in violation of any applicable Law in connection with the Business, except where such violations, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Effect. None of the Sellers has received any notice or written claims from any Government Entity within the last three (3) years preceding the date hereof relating to any non-compliance of the Business or the Assets with any applicable Law nor are there any such notice or claims pending or, based on the Knowledge of the Sellers, any such notice or claims threatened, except where such claims, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Effect.

(b) (i) All the Consents of Government Entities necessary for the conduct of the Business as conducted on the date hereof, have been duly obtained and are in full force and effect, except where the absence of any of such Consents would not result, or would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect and (ii) the relevant Sellers are in compliance with the terms of each of such Consents, except where such noncompliance would not result, or would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect. Each such Consent is included in the Assets. None of the Sellers has received any notice or written claims from any Government Entity relating to any non-compliance of the Business or the Assets with such Consents, nor are there any such notice or claims pending or, based on the Knowledge of the Sellers, any such notice or claims threatened, except where such non-compliance would not result, or would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

#### 4.10 Real Property.

(a) Section 4.10(a) of the Sellers Disclosure Letter sets forth (i) all of the real and immovable property owned by Sellers (which are to be transferred to the Purchaser together with all existing servitudes, easements, licenses and appurtenances benefiting such owned real and immovable property, including all buildings, erections, improvements, fixtures, fittings and structures thereon, collectively, the "***Owned Real Property***"); (ii) all unexpired leases, licenses or other occupancy agreements (collectively, the "***Leases***") (or other property interests) for real and immovable property under which any Seller is a lessee, licensee or occupant (the "***Leased Real Property***"), (iii) all of the material written Contracts (and servitudes and easements and other accessory rights granted by or to Third Parties) pertaining to the Owned Real Property to which any Seller is a party, and each lease, license or occupancy agreement in favor of any Third Party affecting any Owned Real Property or Leased Real Property and (iv) all of the Actions currently pending by or against the Sellers which pertain to the Owned Real Property or Leased Real Property which would, individually or in the aggregate, have a Material Adverse Effect.

(b) Sellers have received all Consents that are necessary or appropriate in connection with Sellers' occupancy, operation, ownership or leasing of the Owned Real Property and those pursuant to Leases, and the present use of the Owned Real Property or

the Leased Real Property does not violate the Consents applicable thereto, except where the failure to receive, or violation of, a Consent would not reasonably be expected to have a Material Adverse Effect.

(c) No Seller has received written notice, nor is there pending or, to Sellers' Knowledge, is there any threatened (i) condemnation, eminent domain, expropriation or similar proceeding affecting the Owned Real Property or Leased Real Property except as set forth in Section 4.10(c) of the Sellers Disclosure Letter, (ii) proceeding to change the zoning classification of any portion of the Owned Real Property or Leased Real Property or (iii) imposition by a Government Entity of any special assessments for public betterments affecting the Owned Real Property or Leased Real Property, which in any case would reasonably be expected to have a Material Adverse Effect.

(d) No Seller has received written notice, nor is there pending or, to the Sellers' Knowledge threatened, any Action by any Government Entity alleging that the present uses of the Owned Real Property and the Leased Real Property by Sellers are not in compliance with, or are in default under or in violation of, any building, zoning, land use, public health, public safety, sewage, water, sanitation or other comparable Law.

(e) Upon entry of the Sale Orders and payment of the Cure Costs, (i) no Seller will be in breach or default of its obligations under any of the Leases or other material Contracts or real rights appertaining to the Owned Real Property, (ii) no condition exists that with notice or lapse of time or both would constitute a default under any of such Contracts or real rights, and (iii) to the Sellers' Knowledge, no other party to any of such Contracts or real rights is in breach or default thereunder.

(f) The Sellers have not given notice to, or received notice from, any landlords of any defaults in connection with the Leases, except in connection with the Bankruptcy Proceedings.

4.11 Environmental Matters. Except as set forth in Section 4.11 of the Sellers Disclosure Letter:

(a) *Environmental Laws.* Neither any Property of any Seller nor the operations conducted thereon is in violation of any applicable order of any court or other Governmental Entity made in respect of any Hazardous Material or pursuant to any Environmental Laws, which violation could reasonably be expected to result in Remedial Obligations which would have a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property. The Property of the Sellers is owned, occupied and operated in compliance with Environmental Laws, except for non-compliance which could not reasonably be expected to result in a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property.

(b) *Notices and Permits.* All notices, permits, licenses or similar authorizations, if any, which, pursuant to any applicable Environmental Laws, are

required to be obtained or filed by any Seller in connection with the operation or use by such Seller of any of its Property, including any operation or use involving the treatment, transportation, storage or disposal by any Seller of any Hazardous Materials or any Release of, on, to or from any Property of any Seller, have been duly obtained or filed, except to the extent the failure to obtain or file such notices, permits, licenses or authorizations could not reasonably be expected to have a Material Adverse Effect or result in Remedial Obligations which would reasonably be expected to have a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property.

(c) *Treatment of Hazardous Substances.* All Hazardous Materials which are generated, stored, treated, transported or disposed of by any Seller have been so generated, stored, treated, transported, or disposed of by the applicable Seller in compliance with all Environmental Laws applicable thereto, except to the extent the failure to so generate, store, treat, transport, or dispose of such Hazardous Materials in accordance with such Environmental Laws could not reasonably be expected to have a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property.

(d) *Hazardous Materials and Waste Disposal.* To the Knowledge of the Sellers no Hazardous Materials are present in, on or under any Property of any Seller, except to the extent the presence of such Hazardous Materials would not reasonably be expected to result in a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property. All Property which is occupied or controlled by any Seller and used as a landfill or a waste disposal site is so used in compliance with the Environmental Laws applicable thereto, except to the extent that the failure to so comply with such Environmental Laws could not reasonably be expected to result in a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property.

(e) *No Environmental Liability.* To the Knowledge of the Sellers, as at the Closing Date, none of the Sellers has any liability resulting from: (i) a violation of any Environmental Law; or (ii) any Release, other than liabilities which, individually or in the aggregate: (iii) would not reasonably be expected to exceed \$5,000,000 and for which adequate reserves for the payment thereof as required by GAAP have been provided; and (iv) could not reasonably be expected to result in Remedial Obligations of any one or more Seller having a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all relevant facts, conditions and circumstances, if any, pertaining to such potential liability.

(f) *No Environmental Notice.* As at the Closing Date, no Seller has received written notice of any actual or alleged liability pursuant to any Environmental Law which could reasonably be expected to result in a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all relevant facts, conditions and circumstances, if any, pertaining to such liability.

(g) *Environmental Reports.* The Sellers have made available to the Purchaser (i) all Phase I and Phase II environmental reports received by any Seller in respect of any of its Property in the three year period immediately preceding the Closing Date, and (ii) the most current internally-prepared environmental compliance audit report held by any Seller in respect of each pulp or paper manufacturing facility for which any such report has been prepared.

#### 4.12 Labor and Employee Benefits Matters.

(a) Section 4.12(a) of the Sellers Disclosure Letter contains an accurate and complete list of all Seller Employee Plans. The Sellers have provided the Purchaser with a complete and current copy of the plan document of each Seller Employee Plan or, if such plan document does not exist, an accurate written summary of such Seller Employee Plan, together with all booklets and communications concerning the Seller Employee Plans having been provided to persons entitled to benefits under such plan and copies of all material documents relating to each Seller Employee Plan, including, as applicable: (i) all trust agreements, funding agreements, insurance contracts and policies, investment management agreements, subscription and participation agreements, benefit administration contracts and any financial administration contracts; (ii) the most recent financial and accounting statements and reports, and all reports, statements, valuations, returns and correspondence for each of the last three years which affect premiums, contributions, refunds, deficits or reserves; (iii) the two most recent actuarial reports (whether or not such report were filed with a Government Entity) and any supplemental cost certificates filed with any Government Entity; (iv) the most recent annual information returns or other returns filed with, and significant correspondence with any Government Entity; (v) all amendments and other documents reflecting ad hoc increases, upgrades and improvements having been implemented within the last six years; and (vi) Except as set forth in Section 4.12(a) of the Sellers Disclosure Letter, the Sellers have not received, in the last six years, any notice from any Person or Government Entity questioning or challenging such compliance, and the Sellers have no Knowledge of any such notice beyond the last six years.

(b) Section 4.12(b) of the Sellers Disclosure Letter contains a complete and accurate list of all Non-Union Employees as of \_\_\_\_\_, 2012, including for each such employee: (i) current rate of compensation; (ii) any incentive or bonus entitlement; (iii) date of hire; (iv) age; (v) title and/or job description; (vi) part-time or full-time status; (vii) accrued and unused vacation and sick days; (viii) benefit entitlements; and (ix) location of employment. Except as set forth in Section 4.12(b) of the Seller Disclosure Letter, none of the Sellers has any written contract or similar agreement or arrangement, written or otherwise, with any Non-Union Employee as to the length of notice or amount of any payment required in connection with the termination of his or her employment.

(c) Except as set forth in Section 4.12(b) of the Sellers Disclosure Letter, there has not been for a period of twenty-four (24) consecutive months prior to the date hereof, any actual, or to the Sellers' Knowledge, threatened strike, material arbitration, labor dispute or grievance under a Collective Labor Agreement, slowdown, lockout, picketing or work stoppage against or affecting the Sellers.

(d) Section 4.12(d) of the Sellers Disclosure Letter lists all the Collective Labor Agreements that pertain to the Employees. For a period of twenty-four (24) consecutive months prior to the date hereof, no petition has been filed or proceedings instituted by a union, collective bargaining agent, employee or group of employees with any Government Entity seeking recognition or certification of a collective bargaining agent with respect to any Employees, and, to the Sellers' Knowledge, no such organizational effort is currently being made or has been threatened by or on behalf of any union, employee, group of employees or collective bargaining agent to organize any Employees. The Sellers have provided the Purchaser with a true and complete copy of the Collective Labor Agreements listed in Section 4.12(d) of the Sellers Disclosure Letter.

(e) With respect to each Seller Employee Plan, and to the extent it would not have a Material Adverse Effect or as set forth in Section 4.12(e) of the Sellers Disclosure Letter: (i) if intended to qualify under Section 401(a), 401(k) or 403(a) of the Code, such plan and the related trust has received a favorable determination letter from the IRS that has not been revoked and to the Sellers' Knowledge there is no basis for the revocation of such letter; (ii) it is and has been established, registered, amended, funded (other than in respect of special payments that were suspended by the Amended and Restated Initial CCAA Order) administered and invested in compliance with its terms applicable Law and any Collective Labor Agreements, as applicable, and the Sellers have not received any notice from any Person or Government Entity questioning or challenging such compliance; (iii) there is no investigation by a Government Entity nor any pending or threatened claims in writing against, by or on behalf of any Seller Employee Plan or the assets, fiduciaries or administrators thereof (other than routine claims for benefits); and to the Knowledge of the Sellers no fact exists which could reasonably be expected to give rise to any such investigation or claim; and (iv) all required employee and employer contributions (other than special amortization payments since the Petition Date to such plans that are Canadian registered pension plans), premiums and expenses, to or in respect of, such Transferred Employee Plans have been timely paid in full or, to the extent not yet due, have been adequately accrued.

(f) Except as disclosed in Section 4.12(f) of the Sellers Disclosure Letter, the Sellers have no formal plan and have made no promise or commitment, whether legally binding or not, to create any additional Seller Employee Plan, or to improve or change the benefits provided under any Seller Employee Plan.

(g) Except as set forth in Section 4.12(g) of the Sellers Disclosure Letter, no assets of any Seller Employee Plan are invested in units of a unitized trust sponsored by a Seller, and where the assets of any Seller Employee Plan are invested in units of a unitized trust sponsored by a Seller, no entity other than the Seller or a Person acting in relation to a Seller Employee Plan holds units of any such unitized trust and the unitized trust has been established, qualified, invested and administered in accordance with the terms of such unitized trust and all applicable Law.

(h) All data necessary to administer each Seller Employee Plan is in the possession of the Sellers or their agents and is in a form which is sufficient for the proper

administration of the Seller Employee Plan in accordance with its terms and all Laws and such data is complete and correct.

(i) Except as disclosed Section 4.12(i) of the Sellers Disclosure Letter, there are no unfunded liabilities in respect of any Seller Employee Plans which Seller Employee Plans would be required to be funded under applicable Law, as applicable, including going concern unfunded liabilities, wind-up deficiencies and solvency deficiencies.

(j) Except as set forth in Section 4.12(j) of the Sellers Disclosure Letter, there is no entity, other than the Sellers, participating in any of the Seller Employee Plans.

(k) Except as set forth in Section 4.12(k) of the Sellers Disclosure Letter, No Seller Employee Plan is, or in the past six years was, subject to Title IV of ERISA.

(l) Except as set forth in Section 4.12(l) of the Sellers Disclosure Letter, the consummation of the transactions contemplated by this Agreement (whether alone or together with any other event) will not entitle any Employee or former employee of the Business to severance pay, unemployment compensation or any other payment or accelerate the time of payment or vesting, or increase the amount of compensation due any such Employee or former employee.

(m) Except as set forth in Section 4.12(m) of the Sellers Disclosure Letter, no Seller Employee Plan provides benefits, including without limitation death or medical benefits (whether or not insured) beyond retirement or other termination of service, other than (i) coverage mandated solely by applicable Law, (ii) death benefits or retirement benefits under any "pension plan" (as defined in Section 3(2) of ERISA or under any Canadian pension standards legislation), or (iii) benefits the full costs of which are borne by participants and not by the employer or sponsor.

(n) The Business is in compliance in all material respects with all applicable Laws respecting employment and employment practices, including, without limitation, all laws respecting terms and conditions of employment, health and safety, wages and hours, worker classifications, child labor, immigration, employment discrimination, disability rights or benefits, equal opportunity, pay equity (including maintenance of pay equity), employee privacy, Government Entity sponsored plans, including pension, social security, parental insurance, prescriptions drugs and similar plans, plant closures and layoffs, affirmative action, workers' compensation, labor relations, employee leave issues and unemployment insurance.

(o) Except as set forth on Schedule 4.12(o) of the Sellers Disclosure Letter, during the past five (5) years the Business has not received (i) notice of any unfair labor practice charge or of any complaint pending or threatened before the National Labor Relations Board or any other Government Entity against it, (ii) notice of any charge or complaint with respect to or relating to it pending before the Equal Employment Opportunity Commission or any other Government Entity responsible for the prevention of unlawful employment practices, (iii) notice of the intent of any Government Entity



responsible for the enforcement of labor, employment, wages and hours of work, pay equity, human rights, worker classification, child labor, immigration, or occupational safety and health laws to conduct an inspection or investigation with respect to or relating to it or notice that such inspection or investigation is in progress, (iv) notice of any material violation, infringement, breach or lack of compliance by any Government Entity responsible for the enforcement of labor, employment, wages and hours of work, pay equity, human rights, worker classification, child labor, immigration, or occupational safety and health laws, or (v) notice of any complaint, lawsuit or other proceeding of any kind pending or threatened in any forum by any Government Entity, by any union or bargaining agent, or by or on behalf of any Employee or former employee, any applicant for employment or classes of the foregoing alleging a material breach of any express or implied contract of employment, any applicable Law governing labor, employment, wages and hours or work, pay equity, human rights, worker classification, child labor, immigration or occupational safety and health or the termination of employment or any discriminatory, wrongful or tortious conduct in connection with the employment relationship.

(p) To the Knowledge of the Sellers, no Employee is in any respect in material violation of any nondisclosure agreement, common law nondisclosure obligation, fiduciary duty, noncompetition agreement, restrictive covenant or other obligation to a former employer of any such employee relating (i) to the right of any such Employee to be employed by the Business or (ii) to the knowledge or use of trade secrets or proprietary information, or any obligations of the same nature contained in any employment agreement.

(q) Except as set forth in Section 4.12(q) of the Sellers Disclosure Letter, the execution of this Agreement and the consummation of the transactions contemplated by this Agreement will not result in any breach or other violation of any Collective Labor Agreement, employment agreement, consulting agreement or any other labor-related agreement.

4.13 Taxes. Except as set forth in Section 4.13 of the Sellers Disclosure Letter, Sellers have (i) each timely filed all Tax Returns required to be filed with the appropriate Government Entity in all jurisdictions in which such Tax Returns are required to be filed (taking into account any extension of time to file granted, or to be obtained on behalf of, the Sellers), and such Tax Returns were complete and accurate in all material respects; (ii) paid, collected and remitted on a timely basis all Taxes owed by, or required to be collected and remitted by, any of the Sellers, whether or not shown as due on any Tax Return; and (iii) duly and on a timely basis withheld from any amount paid or credited to any Person the amount of any Taxes required by Law, to be withheld therefrom and have duly and on a timely basis remitted such amounts as required by Law, except where any such failure would not result, or would not be reasonably be expected to result, in a Material Adverse Effect. No material examination of any Tax Return of the Sellers is currently in progress by any Government Entity; no material unresolved adjustment has been proposed in writing with respect to any such Tax Returns by any Government Entity; no material unresolved claim has been made in writing by any Government Entity in a jurisdiction where the Sellers do not file Tax Returns that any Seller is or may be subject to Taxes by that jurisdiction for Taxes; and there are no Liens for Taxes, other than Permitted Encumbrances.

4.14 Absence of Certain Developments. Except (a) for the commencement of the Bankruptcy Proceedings and (b) as required by Law or GAAP, since December 31, 2011: (i) Sellers have conducted the Business in the Ordinary Course; (ii) there have not occurred any facts, conditions, changes, violations, inaccuracies, circumstances, effects or events that have constituted, or which would be reasonably likely to result in, individually or in the aggregate, a Material Adverse Effect; and (iii) except as set forth in Section 4.14 of the Sellers Disclosure Letter, no Seller has taken any action in contravention of Section 5.7.

4.15 No Undisclosed Liabilities. Sellers do not have any Liabilities, except Liabilities (a) provided for in the Financial Statements; (b) incurred in the Ordinary Course and not required under GAAP to be reflected in the Financial Statements; (c) disclosed in the application for protection in the CCAA Cases (d) incurred in connection with the DIP Credit Agreement; (e) incurred since December 31, 2011 in the Ordinary Course or as required by applicable Law; or (f) incurred in connection with this Agreement or the transactions contemplated hereby.

4.16 Affiliate Transactions. Except as disclosed in Section 4.16 of the Sellers Disclosure Letter, no Affiliate of any Seller (other than any other Seller) (a) is a competitor, creditor, debtor, customer, distributor, supplier or vendor of any Seller, (b) is a party to any Material Contract with any Seller that results in payment or receipt by the Business of more than \$50,000 per annum in the aggregate, (c) has any Action against any Seller, (d) has a loan outstanding from any Seller or (e) owns any assets that are used in the Business.

4.17 Brokers; Advisors Fees. Except for fees and commissions that will be paid or otherwise settled or provided for by the Sellers, no broker, finder or investment banker is entitled to any brokerage, finder's or other similar fee or commission in connection with the transactions contemplated by this Agreement and the other Transaction Documents based upon arrangements made by or on behalf of the Sellers or any of their Affiliates.

4.18 Inventory. Except as set forth on Section 4.18 of the Sellers Disclosure Letter, all Inventory of the Sellers, whether or not reflected on the financial statements included in the Public Documents, consists of items of a quality useable or saleable in the ordinary course of business, assuming sufficient market demand. Seller does not hold any Inventory on consignment. Except as set forth on Section 4.18 of the Sellers Disclosure Letter, all Inventory of Seller is merchantable and fit for the purpose for which it was procured or manufactured and, except as has been written down on the face of the financial statements included in the Public Documents or in the books and records of the Company, or, with respect to Inventory acquired since the date of such financial statements, none of such Inventory is obsolete, damaged or defective.

4.19 Receivables. The Accounts Receivable of the Sellers reflected on the financial statements included in the Public Documents and all Accounts Receivable arising subsequent to the date thereof (i) arose from bona fide sales transactions in the ordinary course of business consistent with past practice and are payable on ordinary trade terms taking into account the practices in the buyer's jurisdiction, (ii) are legal, valid and binding obligations of the respective debtors enforceable in accordance with their respective terms, (iii) except as set forth on Section 4.19 of the Sellers Disclosure Letter, are not subject to any valid material set-off or counterclaim, (iv) do not represent obligations for goods sold on consignment, on approval or on a sale-or-

return basis or subject to any other repurchase or return arrangement, and (v) are not the subject of any Actions or order by a Government Entity brought by or on behalf of Sellers.

4.20 Not a Non-Resident. Each Seller that is selling a "taxable Canadian property" within the meaning of subsection 248(1) of the Tax Act, is not a non-resident of Canada within the meaning of the Tax Act.

4.21 GST/HST Registration. Each Seller that is selling Assets in Canada is duly registered for the purposes of the Tax imposed under Part IX of the Excise Tax Act under the numbers set forth in Section 4.21 of the Sellers Disclosure Letter.

## ARTICLE V COVENANTS AND OTHER AGREEMENTS

### 5.1 Bankruptcy Actions.

(a) Sellers and Purchaser acknowledge that this Agreement and the transactions contemplated hereby are subject to the approval of the Bankruptcy Courts.

(b) At the Auction, in accordance with the Stalking Horse and SISP Orders and notwithstanding any other provision of this Agreement, Purchaser shall be permitted to bid on individual Lots, a combination of Lots or individual Assets within certain Lots as Purchaser may elect. Purchaser shall be entitled to: (i) allocate the Purchase Price among the Lots in the discretion of the Purchaser, (ii) reallocate the Purchase Price during the Auction in the discretion of the Purchaser; (iii) reduce the Purchase Price to the extent that it is not the Prevailing Bidder with respect to any Lot, and (iv) submit additional bids and make additional corresponding modifications to this Agreement at the Auction.

(c) Sellers shall use their commercially reasonable efforts to have the Canadian Court enter on or before \_\_\_\_\_, 2012, upon a hearing to be held on a date specified by the Canadian Court (the "***Canadian Sale Hearing***"), an order reasonably acceptable to Purchaser approving the sale of the Assets to the Purchaser pursuant to this Agreement or to the Person otherwise submitting a Superior Offer for the Assets at the Auction (the "***Canadian Sale Order***"), including by filing and properly serving a motion with the Canadian Court within three (3) Business Days of the completion of the Auction (which motion shall also be served on each party to a Designated Seller Contract with the Canadian Debtors and on all parties whom Purchaser's counsel requests be served). Sellers shall also file with the U.S. Bankruptcy Court (i) as soon as reasonably practicable after entry of the Stalking Horse and SISP Orders in the CCAA Proceedings and in any event no later than five (5) Business Days thereafter a motion seeking entry of an order reasonably acceptable to the Purchaser (A) approving the SISP and the SISP procedures and (B) scheduling a hearing (the "***U.S. Sale Hearing***") to consider approval of the sale of the Assets to the Purchaser or to the Person otherwise submitting a Superior Offer and (ii) as soon as reasonably practicable after a Plan Failure and in any event no later than three (3) Business Days thereafter, a motion seeking entry of an order reasonably acceptable to the Purchaser approving the sale of the

Assets to the Purchaser or the Person otherwise submitting a Superior Offer (the "*U.S. Sale Order*" and together with the Canadian Sale Order, the "*Sale Orders*"). In addition, the Sellers shall use their commercially reasonable efforts to have the Canadian Approval Hearing and the U.S. Approval Hearing conducted simultaneously on the same date by videoconference between the Bankruptcy Courts in a manner such that both Bankruptcy Courts shall be able to simultaneously hear and view the proceedings in the other court and otherwise in accordance with such guidelines as may be necessary to conduct such hearing.

(d) In the event leave to appeal is sought, an appeal is taken or a stay pending appeal is requested with respect to the Stalking Horse and SISP Orders or the Sale Orders, Sellers shall promptly notify Purchaser of such leave to appeal, appeal or stay request and shall promptly provide to Purchaser a copy of the related notice(s) or order(s). Sellers shall also provide Purchaser with written notice of any motion or application filed in connection with any leave to appeal or appeal from such orders.

(e) Prior to the Closing, the Canadian Debtors shall serve and file with the Canadian Court a Notice of Application and Application Record seeking the entry of an Order establishing procedures for the identification and adjudication of any claims against the directors and officers of the Canadian Debtors that would be covered by the D&O Charge (as defined in the Amended and Restated Initial CCAA Order), which procedures shall be in form and substance reasonably satisfactory to the Purchaser and which procedures shall, for the avoidance of doubt, provide the Canadian Debtors, any affected director or officer and the Purchaser with full rights of participation and consultation in the procedures, which shall be administered by the Monitor, subject to the foregoing.

## 5.2 Cooperation.

(a) Prior to the Closing, upon the terms and subject to the conditions of this Agreement, each of the Parties shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, and cooperate with each other in order to do, all things necessary, proper or advisable under applicable Law to consummate the transactions contemplated by this Agreement as soon as practicable, including the preparation and filing of all forms, registrations and notices required to be filed to consummate the Closing, making witnesses available in the Canadian Court and the U.S. Bankruptcy Court or by declaration, as necessary, in obtaining the entry of the Sale Orders, negotiating Collective Labor Agreements with all applicable unions and collective bargaining agents, the taking of such actions as are necessary to obtain any requisite Consent, provided that the Sellers shall not be obligated to make any payment or deliver anything of value to any Third Party (other than filing with and payment of any application fees to Government Entities, all of which shall be paid or reimbursed by the Purchaser) in order to obtain any Consent.

(b) Each of the Sellers and the Purchaser shall promptly notify the other of the occurrence, to such Party's Knowledge, of any event or condition, or the existence, to such Party's Knowledge, of any fact, that would reasonably be expected to result in (i)

any of the conditions set forth in ARTICLE VIII not being satisfied or (ii) any of the representations and warranties in ARTICLE IV not being true and correct.

### 5.3 Antitrust and Other Regulatory Approvals.

(a) To the extent required by applicable Laws, each of the Parties agrees to prepare and file as promptly as practicable and in any event, within ten (10) Business Days from the execution of this Agreement: (i) all filings and applications required and desirable to obtain Competition Act Approval; (ii) a Notification and Report Form pursuant to the HSR Act and each Party shall request early termination of the waiting period under the HSR Act; and (iii) all other necessary documents, registrations, statements, petitions, filings and applications for Regulatory Approvals and any other Consent of any other Government Entities required to satisfy the condition set forth in Section 8.1(a).

(b) Each of the Parties shall use commercially reasonable efforts to (a) cooperate with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party; (b) keep the other parties informed in all material respects of any material communication received by such party from, or given by such party to, any Government Entity and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby and (c) permit the other party to review any material communication given to it by, and consult with each other in advance of any meeting or conference with any Government Entity, including in connection with any proceeding by a private party. The foregoing obligations in this Section 5.3 shall be subject to any attorney-client, work product or other privilege, and each of the parties hereto shall coordinate and cooperate fully with the other parties hereto in exchanging such information and providing such assistance as such other parties may reasonably request in connection with the foregoing and in seeking early termination of any applicable waiting periods under the HSR Act. The parties will not take any action that will have the effect of delaying, impairing or impeding the receipt of any required authorizations, consents, Orders or approvals. Fees incurred in connection with complying with any Law shall be borne solely by Seller.

(c) If any objections are asserted with respect to the transactions contemplated hereby under any Law or if any suit is instituted by any Government Entity or any private party challenging any of the transactions contemplated hereby as violative of any Law or if the filing pursuant to Section 5.3 is reasonably likely to be rejected or conditioned by federal or a state Government Entity, each of the Parties shall use commercially reasonable efforts to resolve such objections or challenge as such Government Entity or private party may have to such transactions, including to vacate, lift, reverse or overturn any Action, whether temporary, preliminary or permanent, so as to permit consummation of the transactions contemplated by this Agreement.

(d) In addition, the Purchaser shall, and shall cause each of the Designated Purchasers to, use its commercially reasonable efforts to satisfy (or cause the satisfaction

of) the conditions precedent to the Purchaser's obligations hereunder as set forth in Section 8.1(a) to the extent the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to consummate the transactions contemplated by this Agreement, including using its commercially reasonable efforts to obtain all Regulatory Approvals and any other Consent of a Government Entity required to be obtained in order for the Parties to consummate the transactions contemplated by this Agreement.

5.4 Pre-Closing Access to Information. Prior to the Closing, the Sellers shall (i) give the Purchaser and its authorized representatives, upon advance notice and during regular business hours, access to all books, records, reports, plans, certificates, files, documents and information related to the Assets, personnel, officers and other facilities and properties of the Business, (ii) permit the Purchaser to make such copies and inspections thereof, upon advance notice and during regular business hours, as the Purchaser may reasonably request; provided, however, that (1) any such access shall be conducted at Purchaser's expense, in accordance with Law (including any applicable Antitrust Law and Bankruptcy Law), under the supervision of the Sellers' personnel and in such a manner as to maintain confidentiality and not to interfere with the normal operations of the businesses of the Sellers and their Affiliates and (2) the Sellers will not be required to provide to the Purchaser access to or copies of any Employee Records to the extent such would be in violation of Laws relating to the protection of privacy and (iii) permit the Purchaser to undertake (at Purchaser's sole cost and expense) a non-invasive environmental assessment of the Owned Real Property and Leased Real Property (subject to notification to and, if required, approval of the owner of the Leased Real Property).

5.5 Public Announcements. Prior to the Closing and without limiting or restricting any party from making any filing with the Bankruptcy Courts with respect to this Agreement or the transactions contemplated by this Agreement and upon 24 hours advance notice of such public announcement or press release, no party shall issue any press release or public announcement concerning this Agreement or the transactions contemplated by this Agreement without obtaining the prior written approval of the other party, which approval will not be unreasonably withheld or delayed, unless, in the reasonable judgment of the Purchaser or the Sellers, disclosure is otherwise required by applicable Law, the U.S. Bankruptcy Codes or the Bankruptcy Courts with respect to filings to be made with the Bankruptcy Courts in connection with this Agreement or by the Securities Laws of the Securities Commissions or any stock exchange on which the Sellers list securities, provided that the party intending to make such release shall use its reasonable best efforts consistent with such applicable Law, the U.S. Bankruptcy Codes or Bankruptcy Courts requirement to consult with the other party with respect to the text thereof.

5.6 Further Actions. From and after the Closing Date, each of the Parties shall execute and deliver such documents and other papers and take such further actions as may reasonably be required to carry out the provisions of this Agreement and give effect to the transactions contemplated herein, including the execution and delivery of such assignments, deeds and other documents as may be necessary to transfer any Assets as provided in this Agreement; provided that, neither the Purchaser nor the Sellers shall be obligated to make any payment or deliver anything of value to any Third Party (other than filing with and payment of any application fees to Government Entities, all of which shall be paid or reimbursed by the

Sellers) in order to obtain any Consent to the transfer of Assets or the assumption of Assumed Liabilities.

#### 5.7 Conduct of Business.

(a) The Sellers covenant that, subject to any limitation imposed as a result of being subject to the Bankruptcy Proceedings and except as (i) the Purchaser may approve otherwise in writing as set forth below (such approval not to be unreasonably withheld or delayed), (ii) set forth in Section 5.7(a) of the Sellers Disclosure Letter, (iii) otherwise contemplated or permitted by this Agreement or another Transaction Document, (iv) required by Law (including any applicable Bankruptcy Law) or by any order of a Bankruptcy Court, or (v) relates to Excluded Assets or Excluded Liabilities, the Sellers shall (A) conduct the Business in the Ordinary Course and in accordance with the restrictions set forth in the DIP Credit Agreement and (B) abstain from any of the following actions:

(i) enter into any Contract or Lease for or relating to the Business that cannot be assigned to Purchaser or a Designated Purchaser, other than a Contract or a Lease with annual payments of less than \$2,500,000;

(ii) sell or otherwise dispose of Assets, other than dispositions of Inventory and obsolete or damaged Assets in the Ordinary Course that do not exceed \$500,000 in the aggregate;

(iii) grant any Lien on any Assets other than Permitted Encumbrances or Liens that may arise by operation of Law;

(iv) other than in the Ordinary Course, grant or acquire from any Person or dispose of or permit to lapse any rights to any material Intellectual Property;

(v) institute any new or increase the rate of cash compensation or other fringe, incentive, profit-sharing bonus, deferred compensation, severance, insurance, equity incentive, pension, retirement, medical, hospital, disability, welfare or other employee benefits payable to the Transferred Employees, directors or officers, other than increases required by applicable Law or Contracts other than Seller Employee Plans in effect as of the date hereof;

(vi) other than as permitted by Section 5.7(a)(vii), voluntarily terminate or materially amend any Material Contract;

(vii) enter into, terminate or amend any agreement (or incur any commitment) that involves or is reasonably likely to involve total annual expenditures by Sellers or total annual revenues to Sellers, in each case in excess of \$5,000,000;

(viii) waive, release, assign, settle or compromise any material claim, litigation or arbitration relating to the Business to the extent that such waiver,

release, assignment, settlement or compromise (A) imposes any binding obligation or restriction, whether contingent or realized, on the Business and/or the Designated Purchasers, or (B) waives or releases any material rights or claims;

(ix) enter into any collective bargaining, employment, deferred compensation, severance, consulting, independent contractor, restrictive covenant or similar agreement (or amend any such agreement) to which any Seller is party or involving any directors, officers or employees in his or her capacity as a director, officer or employee of Seller;

(x) declare, set aside, make or pay any dividend or other distribution in respect of the capital stock, membership interests or other equity interests of Sellers, or repurchase, redeem or otherwise acquire any outstanding shares of the capital stock, membership interests or other securities of, or other ownership interests in, Sellers;

(xi) except pursuant to the DIP Credit Agreement, incur any indebtedness for borrowed money (including any intra-group borrowings), enter into any material guarantee, indemnity or other agreement to secure any obligation of a Third Party or voluntarily create any Lien (other than Permitted Encumbrances) for the benefit of a third party over any of the Assets, except in the Ordinary Course;

(xii) (A) except as set forth in Section 8.3(f), modify, reject or terminate any Contract or Lease (other than termination in the Ordinary Course), or (B) enter into or modify any Contract or Lease containing material penalties which would be payable as a result of, and upon the consummation of, the transaction contemplated by this Agreement; or

(xiii) authorize, or commit or agree to take, any of the foregoing actions.

If a Seller desires to take any action described in this Section 5.7(a), the Sellers may, prior to any such action being taken, request Purchaser's consent via an electronic mail or facsimile sent to the individuals and addresses listed in Section 10.8. The Purchaser shall be deemed to have consented to such action unless the Purchaser notifies the Sellers in writing by 11:59 p.m. (prevailing eastern time) on the third Business Day after delivery of such email or facsimile request that the Purchaser does not consent to such action.

5.8 Transaction Expenses. Except as otherwise provided in this Agreement or the Ancillary Agreements (including, without limitation, Section 9.2), each of the Purchaser and the Sellers shall bear its own costs and expenses (including brokerage commissions, finders' fees or similar compensation, and legal fees and expenses) incurred in connection with this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby.

5.9 Certain Payments or Instruments Received from Third Parties. To the extent that, after the Closing Date, (a) the Purchaser or any Designated Purchaser receives any payment or instrument that is for the account of a Seller according to the terms of this Agreement, the Purchaser shall, and shall cause the Designated Purchasers to promptly deliver such amount or



instrument to the relevant Seller, and (b) any of the Sellers receives any payment that is for the account of the Purchaser or any of the Designated Purchasers according to the terms of this Agreement or relates primarily to the Business, the Sellers shall promptly deliver such amount or instrument to the Purchaser or the relevant Designated Purchasers. All amounts due and payable under this Section 5.9 shall be due and payable by the applicable Party in immediately available funds, by wire transfer to the account designated in writing by the relevant Party. Notwithstanding the foregoing, each Party hereby undertakes to use reasonable best efforts to direct or forward all bills, invoices or like instruments to the appropriate Party.

5.10 Deemed Consent. For the purposes of this Agreement, the relevant Sellers shall be deemed to have obtained all required Consents in respect of the assignment of any Designated Seller Contract if, and to the extent that, pursuant to the Sale Orders, the Sellers are authorized to assume and assign to the Designated Purchasers such Designated Seller Contract pursuant to Section 365 of the U.S. Bankruptcy Code or Section 11.3 of the CCAA, as applicable, and any applicable Cure Cost has been satisfied as provided in Section 2.1(e).

5.11 Notification of Certain Matters. The Sellers shall give written notice to the Purchaser promptly after becoming aware of (i) the occurrence of any event, which would be likely to cause any condition set forth in Article VIII to be unsatisfied in any material respect at any time from the date hereof to the Closing Date or (ii) any notice or other communication from (x) any Person alleging that the Consent of such Person is or may be required in connection with any of the Transactions or (y) any Government Entity in connection with any of the Transactions; provided, however, that the delivery of any notice pursuant to this Section 5.11 shall not limit or otherwise affect the remedies available hereunder to the Purchaser.

5.12 Casualty Loss. Notwithstanding any provision in this Agreement to the contrary, if, before the Closing, all or any portion of the Assets is (a) condemned or taken by eminent domain, or (b) a material portion is damaged or destroyed by fire or other casualty, the Sellers shall notify the Purchaser promptly in writing of such fact, and (i) in the case of condemnation or taking, the Sellers shall assign or pay, as the case may be, any proceeds thereof to the Purchaser at the Closing, and (ii) in the case of fire or other casualty, the Sellers shall, at its option, either restore such damage or assign the insurance proceeds therefrom to the Purchaser at Closing. Notwithstanding the foregoing, the provisions of this Section 5.12 shall not in any way modify the Purchaser's other rights under this Agreement, including any applicable right to terminate the Agreement if any condemnation, taking, damage or other destruction resulted in a Material Adverse Effect.

5.13 Rejection of Designated Seller Contracts. Seller shall not reject any Designated Seller Contracts pursuant to the Bankruptcy Proceedings without the prior written consent of Purchaser.

5.14 Name Change. Within ten (10) days after the Closing Date, Sellers and their Subsidiaries shall take such corporate and other actions necessary to change their corporate and company names to ones that are not similar to, or confusing with, their current names, including any necessary filings required by applicable Law.

## ARTICLE VI TAX MATTERS

### 6.1 Transfer Taxes.

(a) The Parties agree that the Purchase Price is exclusive of any Transfer Taxes. Subject to Section 6.2, the Purchaser shall promptly pay directly to the appropriate Tax Authority, or promptly reimburse the Sellers upon demand and delivery of proof of payment, all applicable Transfer Taxes that are properly payable by Purchaser under applicable Law in connection with this Agreement and the transactions contemplated herein and the other Transaction Documents and the transactions contemplated therein.

(b) If the Purchaser or any Designated Purchaser wishes to claim any exemption relating to, or a reduced rate of, Transfer Taxes, in connection with this Agreement or the transactions contemplated herein or the other Transaction Documents and the transactions contemplated therein, the Purchaser or any Designated Purchaser, as the case may be, shall be solely responsible for ensuring that such exemption or election applies and, in that regard, shall provide the Sellers prior to Closing with its permit number, GST/HST number, or other similar registration numbers and/or any appropriate certificate of exemption, election and/or other document or evidence to support the claimed entitlement to such exemption or reduced rate by the Purchaser or such Designated Purchaser, as the case may be. The Sellers shall make reasonable efforts to cooperate to the extent necessary to obtain any such exemption or reduced rate.

### 6.2 Tax Elections.

(a) With respect to the sale of the Assets situated in Canada, at Purchaser's sole expense, Purchaser (or the relevant Designated Purchaser) and each Seller that is selling such Assets under this Agreement shall, where such election is available, jointly execute an election under Section 167 of Part IX of the Excise Tax Act (Canada) in the forms prescribed for such purposes such that the sale of the Assets by such Seller will take place without payment of any GST/HST. Purchaser (or the relevant Designated Purchaser) shall file the election forms referred to above with the proper Tax Authority, together with Purchaser's (or the relevant Designated Purchaser's) GST/HST return for its GST/HST reporting period during which the transaction of purchase and sale contemplated herein occurs. Notwithstanding such election, in the event that it is determined by the CRA that there is a GST/HST liability of Purchaser (or the relevant Designated Purchaser) to pay GST/HST on all or part of the Assets sold pursuant to this Agreement, the Parties agree that such GST/HST, as the case may be, shall, unless already collected from Purchaser (or the relevant Designated Purchaser) and remitted by each Seller, be forthwith remitted by Purchaser (or the relevant Designated Purchaser) to the CRA, as the case may be. If it is determined that the elections are not available, the Sellers agree to provide reasonable cooperation to the Purchaser or the Designated Purchaser to expedite the Purchaser's or Designated Purchaser's claims for input tax credits, input tax refunds or rebates of GST/HST.

(b) Purchaser (or the relevant Designated Purchaser) and each Seller, if applicable, will, within the prescribed time, jointly execute and file an election under Section 22 of the Tax Act and the corresponding sections of any other provincial statute and any regulations under such statutes in a manner consistent with the Purchase Price allocation under Section 2.2(b).

6.3 Withholding Taxes. Notwithstanding any other provision in this Agreement, Purchaser shall have the right to deduct and withhold Taxes from any payments to be made hereunder if such withholding is required by Law and to collect any necessary Tax forms, including IRS Forms W-8 or W-9, as applicable, or any similar information, from Sellers and any other recipients of payments hereunder. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been delivered and paid to Sellers or any such other recipient of payments in respect of which such deduction and withholding was made, to the extent that such amounts are remitted to the appropriate Government Entity within the required period of time. Purchaser shall timely remit any such amounts withheld to the appropriate Tax Authority.

6.4 Tax Characterization of Payments Under This Agreement. The Sellers and the Purchaser agree to treat all payments made either to or for the benefit of the other Party under this Agreement as adjustments to the Purchase Price for Tax purposes and that such treatment shall govern for purposes hereof to the extent permitted under applicable Tax Law.

6.5 Records. After the Closing Date, the Purchaser and the Designated Purchasers on the one hand, and the Sellers, on the other hand, will make available to the other, as reasonably requested, and to any Tax Authority, all information, records or documents relating to liability for Taxes with respect to the Assets, the Assumed Liabilities, the Business for all periods prior to or including the Closing Date, and will preserve such information, records or documents until the expiration of any applicable statute of limitations or extensions thereof. In the event that one Party needs access to records in the possession of a second Party relating to any of the Assets, the Assumed Liabilities, the Business for purposes of preparing Tax Returns or complying with any Tax audit request, subpoena or other investigative demand by any Tax Authority, or for any other legitimate Tax-related purpose not injurious to the second Party, the second Party will allow representatives of the other Party access to such records during regular business hours at the second Party's place of business for the sole purpose of obtaining information for use as aforesaid and will permit such other Party to make extracts and copies thereof as may be necessary or convenient. The obligation to cooperate pursuant to this paragraph shall terminate at the time the relevant applicable statute of limitations expires (giving effect to any extension thereof).

6.6 Property Tax Allocation. For purposes of Section 2.1(c)(ii), all real and personal property Taxes and similar ad valorem obligations levied with respect to the Assets, whether imposed or assessed before or after the Closing Date ("*Periodic Taxes*") for a taxable period that includes (but does not end on) the Closing Date (a "*Straddle Period*"), shall be apportioned between Sellers and Purchaser or the applicable Designated Purchaser as of the Closing Date based on the number of days of such taxable period included in the period ending with and including the Closing Date (together with periods ending before the Closing Date, the "*Pre-Closing Tax Period*"), and the number of days of such taxable period beginning after the Closing

Date (together with any periods beginning after the Closing Date, the "*Post-Closing Tax Period*"). At the Closing, Periodic Taxes with respect to each Asset for the applicable Tax period shall be prorated in accordance with the foregoing provisions based on the Tax assessment for such Asset for the applicable Tax period, if available, or otherwise, based on the last available Tax assessment with respect to such Asset. Sellers shall be responsible for such Periodic Taxes attributable to Pre-Closing Tax Periods and the applicable Purchaser shall be responsible for such Periodic Taxes attributable to Post-Closing Tax Periods. At the Closing, (x) Sellers shall pay to the applicable Purchaser an amount equal to excess, if any, of the (i) unpaid Periodic Taxes attributable to Pre-Closing Tax Periods over (ii) Periodic Taxes paid by Sellers but apportioned hereunder to the applicable Purchaser for Straddle Periods (each determined in accordance with the foregoing principles), or (y) the applicable Purchaser shall pay to Sellers an amount equal to Periodic Taxes apportioned to the applicable Purchaser with respect to Straddle Periods but previously paid by Sellers, as applicable. The applicable Purchaser shall also be responsible for preparing and filing all Periodic Tax returns required to be filed after the Closing Date.

## ARTICLE VII

### EMPLOYMENT MATTERS

#### 7.1 Offers of Employment and Employee Liabilities.

(a) *Offers to Non-Union Employees.* Effective as of the Closing Date, the Purchaser shall offer employment effective as of the Closing Date to all of the Non-Union Employees on terms and conditions which are no less favorable in the aggregate in terms of title, compensation, benefits, hours of work and location, and with duties that are similar to the duties now being performed by such Non-Union Employees in respect of the Business to those under which such Non-Union Employees are currently employed by the Sellers. The Purchaser shall make such offers by the Closing. Notwithstanding the foregoing, in respect of Non-Union Employees on long-term disability on the Closing Date, the Purchaser shall not offer employment effective the Closing Date but rather the terms of offers to any such Employee shall specify that the offer is conditional upon the Purchaser being satisfied that the Employee is capable of returning to work and the date on which such Employee returns to work shall be the effective date of employment by the Purchaser. The Purchaser shall recognize the past service of Transferred Non-Union Employees with the Sellers for such purposes and for any required notice of termination, termination or severance pay (contractual, statutory or at common law).

(b) *Union Employees.* Effective as of the Closing Date, the Purchaser shall continue the employment of all Union Employees in accordance with the terms of the Collective Labor Agreements applicable to the Union Employees and in particular shall (subject to Section 8.3(e)):

(i) recognize the Unions as the sole and exclusive collective bargaining agents as of the Closing Date and immediately thereafter for the Union Employees immediately prior to the Closing Date; and

(ii) accept and be bound by the terms and conditions of the Collective Labor Agreements applicable to the Union Employees which were ratified March 14, 2012, March 15, 2012 and March 16, 2012.

(c) To the extent permitted by applicable Law, from time to time following the Closing, Sellers shall make available to the Purchaser such data in the personnel records of Transferred Employees as is necessary for the Purchaser to transition such Transferred Employees into the Purchaser's records.

7.2 Employee Benefits. At any time and from time to time after the date hereof, the Purchaser shall take, or cause to be taken, any and all actions necessary to assume and adopt each Transferred Employee Plan (and any assets held by the Sellers in respect thereof) effective as of the Closing. Sellers shall assign to the Purchaser the Transferred Employee Plans (and any assets in respect thereof) and Sellers shall cooperate with the Purchaser and take, or cause to be taken, all actions as the Purchaser may reasonably request in order to effectuate such assignments.

7.3 No Obligation. Other than as expressly set forth herein, nothing contained in this Agreement shall be construed to require the employment of (or prevent the termination of employment of) any individual, require minimum benefit or compensation levels or prevent any change in the employee benefits provided to any individual Transferred Employee. No provision of this Agreement shall create any Third Party beneficiary rights in any Employee or former Employee of Sellers or any other Person (including any beneficiary or dependent thereof) of any nature or kind whatsoever, including without limitation, in respect of continued employment (or resumed employment) for any specified period.

7.4 Transition Services. The Purchaser and the Sellers shall use their commercially reasonable efforts to agree on transition services agreement pursuant to which, for a period of six months after the Closing Date, the Purchaser shall provide the services of certain employees to assist the estate of the Sellers to market and sell certain residual assets or Excluded Assets. The transition services would be made available to the Sellers without charge for the first six months of the term provided, however, that the Sellers shall pay the actual costs relating to the services provided by such employees. The provision of the transition services shall not interfere in the normal responsibilities and duties of such employees on behalf of Purchaser.

## **ARTICLE VIII**

### **CONDITIONS TO THE CLOSING**

8.1 Conditions to Each Party's Obligation. The Parties' obligation to effect, and, as to the Purchaser, to cause the relevant Designated Purchasers to effect, the Closing is subject to the satisfaction or the express written waiver of the Parties, at or prior to the Closing, of the following conditions:

(a) To the extent required by applicable Laws, all Regulatory Approvals shall have been obtained.

(b) There shall be in effect no Law or Order in the U.S. or Canada prohibiting the consummation of the transactions contemplated hereby that has not been withdrawn or terminated.

8.2 Conditions to Sellers' Obligation. The Sellers' obligation to effect the Closing shall be subject to the fulfillment (or express written waiver by the Sellers), at or prior to the Closing, of each of the following additional conditions:

(a) Except for any inaccuracy that has not had a material adverse effect on the ability of the Purchaser to consummate the transactions contemplated by this Agreement or on the Sellers or any of their Affiliates, each representation and warranty contained in Article III (disregarding all materiality and material adverse effect qualifications contained therein) shall be true and correct (i) as if restated on and as of the Closing Date or (ii) if made as of a date specified therein, as of such date, except in each case for any failure to be true and correct that has not had a Material Adverse Effect. Sellers shall have received a certificate of Purchaser to such effect signed by a duly authorized officer thereof.

(b) The covenants contained in this Agreement to be complied with by the Purchaser on or before the Closing shall have been complied with and not been breached in any material respect. Sellers shall have received a certificate of Purchaser to such effect signed by a duly authorized officer thereof.

(c) Each of the deliveries required to be made to Sellers pursuant to Section 2.3(b) shall have been so delivered.

(d) The Stalking Horse and SISP Orders and the Sale Orders shall have been entered and shall not have been stayed as of the Closing.

8.3 Conditions to Purchaser's Obligation. The Purchaser's obligation to effect, and to cause the relevant Designated Purchasers to effect, the Closing shall be subject to the fulfillment (or express written waiver by the Purchaser), at or prior to the Closing, of each of the following additional conditions:

(a) Each of the representations and warranties set forth in ARTICLE IV, disregarding all materiality and Material Adverse Effect qualifications contained therein, shall be true and correct (i) as if restated on and as of the Closing Date or (ii) if made as of a date specified therein, as of such date, except in each case for any failure to be true and correct that has not had a Material Adverse Effect. Purchasers shall have received a certificate of each of the Sellers to such effect signed by a duly authorized officer thereof.

(b) The covenants, obligations and agreements contained in this Agreement to be complied with by the Sellers on or before the Closing shall not have been breached in any material respect. Purchasers shall have received a certificate of each of the Sellers to such effect signed by a duly authorized officer thereof.

(c) There shall not have occurred any changes, effects or circumstances constituting, or which would be reasonably likely to result in, individually or in the aggregate, a Material Adverse Effect.

(d) The Bankruptcy Court shall have approved and authorized the assumption and assignment of such Assigned Contracts with respect to which Purchaser shall have provided the requisite adequate assurance.

(e) The Purchaser's agreement to be bound by the Collective Labor Agreements ratified on March 14, March 15 and March 16, 2012 contained in Section 7.1(b) hereof shall have been acknowledged in writing by the applicable Unions and such Collective Labor Agreements shall continue to be in full force and effect on and after the Closing Date without modification and, for greater certainty, subject to the Purchaser complying with the Sellers' commitments related to retired hourly employees who are members or former members of the applicable Unions at all times during the term of the agreements.

(f) Each of the deliveries required to be made to Purchaser pursuant to Section 2.3(b) shall have been so delivered.

(g) The Stalking Horse and SISP Orders and the Sale Orders shall have been entered and shall have become Final Orders.

(h) All Consents listed in Section 8.3(h) of the Sellers Disclosure Letter or waivers thereof shall have been obtained.

(i) The Administration Charge, the D&O Charge, the KERP Charge, the Financial Advisor Charge and the Critical Supplier's Charge (each as defined in the Amended and Restated Initial CCAA Order) shall have been released, discharged or terminated.

(j) The Canadian Court shall have granted a Final Order, in form and substance acceptable to the Purchaser, providing that the Purchaser shall not be bound by or responsible for any liabilities or obligations of the Sellers under any of the Seller Employee Plans other than the Transferred Employee Plans.

## **ARTICLE IX**

### **TERMINATION**

9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either Party, upon written notice to the other:

(i) by mutual written consent of the Sellers and the Purchaser;

(ii) in the event of a material breach by such other Party of such other Party's representations, warranties, agreements or covenants set forth in this Agreement, which breach (i) would result in a failure of the conditions to Closing

set forth in Section 8.2 or Section 8.3, as applicable, and (ii) is not cured within seven (7) days from receipt of a written notice from the non-breaching Party;

(iii) if a Government Entity issues an Order prohibiting the transactions contemplated hereby; or

(iv) upon the entry of an order by the Bankruptcy Court authorizing a Superior Offer, unless the Purchaser's bid, as reflected by this Agreement and as the same may be modified at the Auction, is the Backup Bid under the SISF, in which case, upon the closing of a Superior Offer;

(b) by Purchaser, upon written notice to Sellers:

(i) if the Auction is not conducted by \_\_\_\_\_, 2012;

(ii) if the Sale Orders are not entered by \_\_\_\_\_, 2012 or become Final Orders by \_\_\_\_\_, 2012;

(iii) if the Closing does not take place by \_\_\_\_\_, 2012;

(iv) if Sellers announce any plan of liquidation or support any such plan filed by any other party in lieu of consummating this Agreement;

(v) upon the sale, transfer or other disposition, directly or indirectly, of any material portion of the Business or the Assets (other than as a going concern) in connection with the closure, liquidation or winding up of the Business or any of the Sellers;

(vi) if there are any outstanding proceedings challenging the priority claim of the Senior Secured Notes Indenture;

(vii) if the CCAA Cases are terminated or a trustee in bankruptcy or receiver is appointed in respect of any of the Canadian Debtors or their respective Assets, and such trustee in bankruptcy or receiver refuses to proceed with the transactions contemplated by this Agreement; or

(viii) if a Material Adverse Effect occurs.

provided, however, that the right to terminate this Agreement pursuant to Section 9.1(a)(ii) and Section 9.1(b)(iii) shall not be available to any Party whose breach hereof has been the principal cause of, or has directly resulted in, the event or condition purportedly giving rise to a right to terminate this Agreement under such clauses.

9.2 Expense Reimbursement. Notwithstanding anything in this Agreement to the contrary, Sellers agree to pay Purchaser, or to such Person as the Purchaser may direct, the Expense Reimbursement, which expense reimbursement shall not exceed \$1,000,000, with the Expense Reimbursement being paid by Sellers to Purchaser, or to such Person as the Purchaser may direct, upon the earlier to occur of (a) the entry of an order by the Canadian Court or U.S.



Bankruptcy Court approving a Superior Offer and (b) the termination of this Agreement in accordance with the terms set forth in Section 9.1 (except for any termination pursuant to Section 9.1(a)(i) or 9.1(a)(ii) in the event of Purchaser's breach), provided that Purchaser shall be required to provide to Sellers such documentation as Sellers may reasonably request evidencing the expenses and fees in respect of which a request for reimbursement is made hereunder. The obligation of the Sellers to pay the Expense Reimbursement shall be joint and several among the Sellers. The provision for payment of the Expense Reimbursement is an integral part of this Agreement without which the Purchaser would not have entered into this Agreement.

9.3 Effects of Termination. If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party to the other except for the provisions of (i) Section 5.5 (Public Announcements), (ii) Section 5.8 (Transaction Expenses), (iii) Section 9.2 (Expense Reimbursement), (iv) Section 9.3 (Effects of Termination), (v) Section 10.6 (Successors and Assigns), (vi) Section 10.7 (Governing Law; Submission to Jurisdiction; Waiver of Jury Trial) and (vii) Section 10.8 (Notices); *provided, that* nothing herein shall relieve any Party from liability for any breach of this Agreement occurring before the termination hereof and thereof.

## ARTICLE X MISCELLANEOUS

10.1 No Survival of Representations and Warranties or Covenants. No representations or warranties, covenants or agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive beyond the Closing Date. Accordingly, no claim of any nature whatsoever for breach of such representations, warranties, covenants or agreements may be made, or Action instituted, after the Closing Date. Notwithstanding the foregoing, the covenants and agreements that by their terms are to be satisfied after the Closing Date shall survive until satisfied in accordance with their terms.

10.2 Sellers Disclosure Letter Supplements. From time to time prior to the Closing, the Sellers shall supplement or amend the Sellers Disclosure Letter with respect to any matter that, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in the Sellers Disclosure Letter. The Sellers Disclosure Letter shall be deemed amended by all such supplements and amendments for all purposes (except for purposes of determining whether the conditions set forth in Section 8.2(a) of the Agreement have been satisfied), unless within ten (10) days from the receipt of such supplement or amendment the Purchaser provides notice in good faith that the facts described in such supplement or amendment would reasonably be expected to have a Material Adverse Effect.

10.3 Remedies. No failure to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement by any Party will operate as a waiver of such right, remedy, power or privilege, nor will any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise of such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege.

10.4 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted assigns and nothing herein, express or implied, is intended to or shall confer

upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

10.5 Consent to Amendments; Waivers. No Party shall be deemed to have waived any provision of this Agreement or any of the other Transaction Documents unless such waiver is in writing, and then such waiver shall be limited to the circumstances set forth in such written waiver. This Agreement and the Ancillary Documents shall not be amended, altered or qualified except by an instrument in writing signed by all the parties hereto or thereto, as the case may be.

10.6 Successors and Assigns. Except as otherwise expressly provided in this Agreement, all representations, warranties, covenants and agreements set forth in this Agreement or any of the Ancillary Agreements by or on behalf of the Parties thereto will be binding upon and inure to the benefit of such Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any Party without the prior written consent of the other Party, which consent may be withheld in such Party's sole discretion, except for (i) assignment to an Affiliate of a Party (provided that such Party remains liable jointly and severally with its assignee Affiliate for the assigned obligations to the other Party), and (ii) assignment by any of the Canadian Debtors pursuant to any plan of arrangement approved by the Canadian Court, which will not require the consent of the Purchaser.

10.7 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) Any questions, claims, disputes, remedies or Actions arising from or related to this Agreement, and any relief or remedies sought by any Parties, shall be governed exclusively by the Laws of the State of New York without regard to the rules of conflict of laws applied therein or any other jurisdiction.

(b) To the fullest extent permitted by applicable Law, each Party (i) agrees that any claim, action or proceeding by such Party seeking any relief whatsoever arising out of, or in connection with, this Agreement or the transactions contemplated hereby shall be brought only in (A) the U.S. Bankruptcy Court, if brought prior to the entry of a final decree closing the Chapter 15 Case, with respect to the U.S. Debtors, (B) the Canadian Court, if brought prior to the entry of a final decree closing the CCAA Cases, with respect to the Canadian Debtors, or (C) in the federal courts in the Southern District of New York (collectively, the "*Courts*"), if brought after entry of such final decree closing the Chapter 15 Case or CCAA Cases, mutatis mutandis, and shall not be brought, in any court in the United States of America, Canada, or any court in any other country, (ii) agrees to submit to the exclusive jurisdiction of the Courts, as applicable pursuant to the preceding clauses (i)(A), (B) and (C), for purposes of all legal proceedings arising out of, or in connection with, this Agreement or the transactions contemplated hereby, (iii) waives and agrees not to assert any objection that it may now or hereafter have to the laying of the venue of any such Action brought in such a court or any claim that any such Action brought in such a court has been brought in an inconvenient forum, (iv) agrees that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 10.8 or any other manner as may be permitted by Law shall be valid and sufficient service thereof, and (v) agrees that a final judgment in any

such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

(c) EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY. EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE ANCILLARY AGREEMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.7.

10.8 Notices. All demands, notices, communications and reports provided for in this Agreement shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier or sent by reputable overnight courier service (delivery charges prepaid) to any Party at the address specified below, or at such address, to the attention of such other Person, and with such other copy, as the recipient Party has specified by prior written notice to the sending Party pursuant to the provisions of this Section 10.8.

If to the Purchaser to:

CP Acquisition, LLC  
c/o Akin Gump Strauss Hauer & Feld LLP  
One Bryant Park  
New York, NY 10036  
Attention: Michael S. Stamer, Esq. and Stephen B. Kuhn, Esq.  
E-mail address: [mstamer@akingump.com](mailto:mstamer@akingump.com) and [skuhn@akingump.com](mailto:skuhn@akingump.com)

With copies (that shall not constitute notice) to:

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

Fraser Milner Casgrain LLP  
Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 0A1  
Attention: Ryan C. Jacobs, Esq. and R. Shayne Kukulowicz, Esq.

E-mail address: [ryan.jacobs@fmc-law.com](mailto:ryan.jacobs@fmc-law.com) and [shayne.kukulowicz@fmc-law.com](mailto:shayne.kukulowicz@fmc-law.com)

If to the Sellers, to:

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

With copies (that shall not constitute notice) to:

Blake, Cassels & Graydon LLP  
595 Burrard Street  
P.O. Box 49314  
Suite 2600, Three Bentall Centre  
Vancouver BC V7X 1L3  
Attention: Peter Kalbfleisch  
Email: [peter.kalbfleisch@blakes.com](mailto:peter.kalbfleisch@blakes.com)

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

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

Any such demand, notice, communication or report shall be deemed to have been given pursuant to this Agreement when delivered personally, when confirmed if by facsimile transmission or electronic mail, or on the calendar day after deposit with a reputable overnight courier service, as applicable.

10.9 Exhibits; Sellers Disclosure Letter. The Sellers Disclosure Letter and the Exhibits attached hereto constitute a part of this Agreement and are incorporated into this Agreement for all purposes as if fully set forth herein.

10.10 Counterparts. The Parties may execute this Agreement in two or more counterparts (no one of which need contain the signatures of all Parties), each of which will be an original and all of which together will constitute one and the same instrument.

10.11 No Presumption. The Parties agree that this Agreement was negotiated fairly between them at arm's length and that the final terms of this Agreement are the product of the Parties' negotiations. Each Party represents and warrants that it has sought and received experienced legal counsel of its own choosing with regard to the contents of this Agreement and the rights and obligations affected hereby. The Parties agree that this Agreement shall be deemed to have been jointly and equally drafted by them, and that the provisions of this Agreement therefore should not be construed against a Party on the grounds that such Party drafted or was more responsible for drafting the provisions.

10.12 Severability. If any provision, clause, or part of this Agreement, or the application thereof under certain circumstances, is held invalid, illegal or incapable of being enforced in any jurisdiction, (i) as to such jurisdiction, the remainder of this Agreement or the application of such provision, clause or part under other circumstances, and (ii) as for any other jurisdiction, any provision of this Agreement, shall not be affected and shall remain in full force and effect, unless, in each case, such invalidity, illegality or unenforceability in such jurisdiction materially impairs the ability of the Parties to consummate the transactions contemplated by this Agreement. Upon such determination that any clause or other provision is invalid, illegal or incapable of being enforced in such jurisdiction, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible even in such jurisdiction.

10.13 Specific Performance.

(a) Purchaser acknowledges and agrees that any breach of the terms of this Agreement by Purchaser would give rise to irreparable harm for which money damages would not be an adequate remedy, and, accordingly agrees that, in addition to any other remedies, Seller shall be entitled to enforce the terms of this Agreement, including, for the avoidance of doubt, Purchaser's obligation to fund the Purchase Price, by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy and without the necessity of posting a bond.

(b) Purchaser agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief when expressly available pursuant to the terms of this Agreement on the basis that (i) there is adequate remedy at law or (ii) an award of specific performance is not an appropriate remedy for any reason at law or equity. In the event Seller seek an injunction or injunctions to prevent breaches of this Agreement when expressly available pursuant to the terms of this Agreement and to enforce specifically the terms and provisions of this Agreement when expressly available pursuant to the terms of this Agreement, they shall not be required to provide any bond or other security in connection with any such order or injunction.

(c) Nothing in this Section 10.13 shall limit the rights of Purchaser to seek or obtain enforcement of the Stalking Horse and SISP Order or the Sale Orders after the entry of such orders or of this Agreement.

10.14 Entire Agreement. This Agreement and the Ancillary Agreements set forth the entire understanding of the Parties relating to the subject matter thereof, and all prior or contemporaneous understandings, agreements, representations and warranties, whether written or oral, are superseded by this Agreement and the Ancillary Agreements, and all such prior or contemporaneous understandings, agreements, representations and warranties are hereby terminated. In the event of any irreconcilable conflict between this Agreement and any of the Ancillary Agreements, the provisions of this Agreement shall prevail, regardless of the fact that certain Ancillary Agreements, such as the Local Sale Agreement, may be subject to different governing Laws (unless the Ancillary Agreement expressly provides otherwise).

10.15 Damages. Under no circumstances shall any Party be liable for punitive damages or indirect, special, incidental, or consequential damages arising out of or in connection with this Agreement or the transactions contemplated hereby or any breach or alleged breach of any of the terms hereof, including damages alleged as a result of tortious conduct.

10.16 Bulk Sales Laws. Each Party waives compliance by the other Party with any applicable bulk sales Law.

[NTD: Entities that hold only Excluded Assets in square brackets below. Omit if assets are not purchased]

IN WITNESS WHEREOF, the Parties have duly executed this Asset Sale Agreement as of the date first written above.

CATALYST PAPER CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

[0606890 B.C. LTD.]

By: \_\_\_\_\_  
Name:  
Title:

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

By: \_\_\_\_\_  
Name:  
Title:

[CATALYST PAPER ENERGY HOLDINGS  
INC.]

By: \_\_\_\_\_  
Name:  
Title:

CATALYST PULP AND PAPER SALES INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATALYST PULP OPERATIONS LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATALYST PULP SALES INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ELK FALLS PULP AND PAPER LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[PACIFICA POPLARS LTD.]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[CATALYST PAPER HOLDINGS INC.]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



[CATALYST PAPER RECYCLING INC.]

By: \_\_\_\_\_  
Name:  
Title:

[CATALYST PAPER (SNOWFLAKE) INC.]

By: \_\_\_\_\_  
Name:  
Title:

CATALYST PAPER (USA) INC.

By: \_\_\_\_\_  
Name:  
Title:

[PACIFICA PAPERS SALES INC.]

By: \_\_\_\_\_  
Name:  
Title:

[PACIFICA PAPERS US INC.]

By: \_\_\_\_\_  
Name:  
Title:

[PACIFICA POPLARS INC.]

By: \_\_\_\_\_  
Name:  
Title:

[THE APACHE RAILWAY COMPANY]

By: \_\_\_\_\_  
Name:  
Title:

## CP ACQUISITION, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## Exhibit A

## Relevant Antitrust Authorities

- Canada
- United States of America

Such other foreign jurisdictions as will be determined promptly upon debtor providing information on activities in foreign jurisdictions