

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

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	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. ¹	:	
	:	Obj. Due: 4/10/12 at 4:00 p.m. (Eastern)
	:	Hrg. Date: 4/17/12 at 9:30 a.m. (Eastern)

**NOTICE OF HEARING ON MOTION OF DEBTORS FOR ORDER (I) ENFORCING
CANADIAN COURT ORDER IN CONNECTION WITH SALE AND INVESTOR
SOLICITATION PROCEDURES AND (II) APPROVING PROTOCOL
FOR A JOINT CROSS-BORDER HEARING**

PLEASE TAKE NOTICE that the above-captioned debtors and debtors-in-possession (collectively, the "Debtors") filed today the attached **Motion Of Debtors For Order (I) Enforcing Canadian Court Order In Connection With Sale And Investor Solicitation Procedures And (II) Approving Protocol For A Joint Cross-Border Hearing** (the "Motion").

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Motion or the relief requested therein must be made in writing, filed with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), 824 Market Street, Wilmington, Delaware 19801, and served so as to be received by the following parties no later than **April 10, 2012 at 4:00 p.m. (Eastern)**: (A) counsel for CPC as foreign representative: Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, CA 90071, Attn: Van C. Durrer, II, Esq.; (B) counsel for the Debtors: Blake, Cassels & Graydon LLP, 595

¹ These jointly administered cases are those of the following Debtors: 0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd. (collectively, the "Canadian Debtors") in addition to Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc., and The Apache Railway Company (collectively, the "U.S. Debtors").



Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3, Canada, Attn: William C. Kaplan, Esq.; (C) counsel for certain 2016 Noteholders: Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036-6745, Attn: Stephen Kuhn, Esq., Meredith Lahaie, Esq., and Michael Stamer, Esq.; (D) counsel for certain 2014 Noteholders: Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7, Canada, Attn: Robert Chadwick, Esq., and Melaney Wagner, Esq.; (E) JPMorgan Chase, as DIP Facility agent: (i) McMillan LLP, Brookfield Place, Suite 4400, 181 Bay Street, Toronto, ON M5J 2T3, Canada, Attn: R.D. Jeffrey Rogers, Esq., and Wael Rostom, Esq., (ii) Bryan Cave LLP, One Metropolitan Square, 211 North Broadway, Suite 3600, St. Louis, MO 63102, Attn: Gregory Willard, Esq., and Heather Boelens Rucker, Esq.; (F) counsel for PwC: Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3, Canada, Attn: John Grieve, Esq., and Kibben Jackson, Esq.; (G) PricewaterhouseCoopers, 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7; and (H) the Office of the United States Trustee, 844 North King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: David Buchbinder, Esq.

PLEASE TAKE FURTHER NOTICE that a hearing on the Motion will be held on **April 17, 2012 at 9:30 a.m. (Eastern)** before the Honorable Peter J. Walsh, United States Bankruptcy Judge for the District of Delaware, in the United States Bankruptcy Court for the District of Delaware, 6th Floor, Courtroom 2, 824 North Market Street, Wilmington, Delaware 19801 ("Hearing"). Only objections made in writing and timely filed and received will be considered by the Court at the Hearing.

**PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS TO THE
MOTION ARE TIMELY FILED AND RECEIVED IN ACCORDANCE WITH THE
ABOVE PROCEDURES, THE RELIEF REQUESTED IN THE MOTION MAY BE
GRANTED WITHOUT FURTHER NOTICE OR A HEARING.**

Dated: Los Angeles, California
March 27, 2012

/s/ Van C. Durrer, II

Van C. Durrer, II (I.D. No. 3827)
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
300 South Grand Avenue
Los Angeles, California 90071
(213) 687-5000

Counsel for Catalyst Paper Corporation

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

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In re: : Chapter 15
CATALYST PAPER CORP., et al., :
Debtors.¹ : Case No. 12-10221 (PJW)
: Jointly Administered
: **Hearing Date: April 17, 2012 (9:30 am EST)**
: **Obj. Deadline: April 10, 2012 (4:00 pm EST)**
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**MOTION OF DEBTORS FOR ORDER (I) ENFORCING CANADIAN COURT ORDER
IN CONNECTION WITH SALE AND INVESTOR SOLICITATION PROCEDURES
AND (II) APPROVING PROTOCOL FOR A JOINT CROSS-BORDER HEARING**

Catalyst Paper Corporation (“CPC”), as the authorized foreign representative for itself and its above-captioned affiliates (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CCAA Proceeding”) under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “CCAA”), Canada Business Corporations Act, R.S.C. 1985, c. C-44, and Business Corporations Act, S.B.C. 2002, c.57, before the Supreme Court of British Columbia (the “Canadian Court”), hereby moves (the “Motion”) this Court, pursuant to sections 105(a), 363, 1520, 1521, 1525 and 1527 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the

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District of Delaware (the “Local Rules”) for entry of an order, substantially in the form annexed hereto as Exhibit A (the “Proposed Order”):

- (I) enforcing and giving effect in the United States to the order of the Canadian Court, dated March 22, 2012 (the “Canadian SISP Order”), pursuant to which the Canadian Court (a) approved the sale and investor solicitation process (the “Sale Process”), (b) approved the applicable sale and investor solicitation procedures (the “SISP” or “Bidding Procedures”), (c) upon certain terms and conditions, authorized and directed the Debtors to enter into that certain purchase and sale agreement (the “Stalking Horse Agreement”) (in a form to be approved by the Canadian Court on application by the Debtors to be heard on or before April 2, 2012) by and between the Debtors and an entity (the “Stalking Horse”) established by the holders of a majority of the aggregate principal amount of the 11% senior secured notes due December 15, 2016 (collectively, such holders of the majority of aggregate principal amount, the “Required 2016 Noteholders”) to acquire substantially all of the assets of the Debtors on behalf of all holders of 11% senior secured notes due December 15, 2016 (collectively, the “2016 Noteholders”), (d) approved the reimbursement of the Stalking Horse’s professional fees and expenses incurred in connection with the development of the Stalking Horse Agreement and participation in the Sale Process in an amount not to exceed \$1,000,000 (the “Expense Reimbursement”) and (e) granted related relief;
- (II) implementing a procedural protocol for the administration of a joint hearing (the “Joint Approval Hearing”) to be held simultaneously by this Court and the

Canadian Court (together, the “Courts”) for the final approval of the sale contemplated under the Stalking Horse Agreement or any higher and better bid resulting from the Sale Process (the “Joint Hearing Protocol”); and

(III) setting the time, date and place of the Joint Approval Hearing.

As discussed below, the Debtors are pursuing approval of the CCAA Plan of Compromise and Arrangement (the “Plan”) in the CCAA Proceeding. In order to preserve and in fact, maximize, the value of their estates, the Debtors believe it is prudent to seek approval at this time of a sale process that will be implemented in the event that the Debtors fail to achieve the requisite acceptance of the Plan (a “Plan Failure”) on the timeline set forth in the Second RSA (as defined below). Accordingly, by this Motion, the Debtors seek approval of the Bidding Procedures so that the Debtors will be able to implement the Sale Process in the United States as well as Canada immediately following a Plan Failure. Specifically, the Bidding Procedures contemplate the filing of a separate motion seeking approval of the consummation of the sale contemplated under the Stalking Horse Agreement (the “Sale Motion”) subject to the Bidding Procedures, free and clear of liens, claims, encumbrances, and interests pursuant to section 363 of the Bankruptcy Code, and subject to any otherwise higher or better offer that is not the Stalking Horse bid. The Debtors would further announce the final highest and best bid, received at the auction pursuant to the Bidding Procedures, within three (3) days of the auction (the “Notice”). Such Sale Motion and Notice would be considered at the Joint Approval Hearing in connection with this Court’s approval of the final transaction resulting from the Sale Process. In

further support of the Motion, CPC relies on the *Sixth Declaration of Brian Baarda* filed concurrently herewith (the “Sixth Baarda Declaration”)² and respectfully represents as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction over these matters pursuant to 28 U.S.C. §§ 157 and 1334. These matters are core proceedings within the meaning of 28 U.S.C. § 157(b)(2).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408, 1409 and 1410.
3. The statutory bases for the relief requested herein are sections 105(a), 363, 1520, 1521, 1525 and 1527 of the Bankruptcy Code, Rules 2002, 6004 and 9014 of the Bankruptcy Rules and Rule 6004-1 of the Local Rules.

BACKGROUND

A. General Background

4. On January 17, 2012 (the “Chapter 15 Petition Date”), CPC filed and served notice of its motion for protection (the “CBCA Proceeding”) under Canada’s Canada Business Corporations Act, R.S.C. 1985, c. C-44 before the Canadian Court. On the Chapter 15 Petition Date, CPC also commenced the Debtors’ chapter 15 cases by filing petitions pursuant to sections 1504 and 1515 of the Bankruptcy Code (collectively, the “Chapter 15 Cases”).

5. CPC commenced the CBCA Proceeding in the Canadian Court, having reached a preliminary consensual arrangement with (i) the representatives of certain holders of the unsecured 7.375% senior notes due March 1, 2014 (the “2014 Noteholders”) and (ii) the representatives of certain of the 2016 Noteholders. The terms of that preliminary consensual arrangement are reflected in the original restructuring support agreement dated January 14, 2012

² True and correct copies of the Canadian SISP Order, Bidding Procedures and the Stalking Horse Agreement are annexed to the Sixth Baarda Declaration.

(the “Original RSA”). CPC dismissed the CBCA Proceeding when the RSA parties were unable to obtain the required support from the other relevant stakeholders.

6. On January 31, 2012, CPC commenced the CCAA Proceeding, and the Canadian Court entered an initial order dated January 31, 2012, annexed to each of the amended chapter 15 petitions (the “Initial CCAA Order”), appointing the independent fiduciary PricewaterhouseCoopers as monitor (the “Monitor”) of the CCAA Proceeding and authorizing CPC to serve as foreign representative of the Debtors. See Initial CCAA Order, ¶¶ 29, 78. The Initial CCAA Order was amended on February 3, 2012 by the Amended and Restated Initial Order (the “Amended CCAA Order”). Following entry of the Initial CCAA Order by the Canadian Court, CPC amended its previously-filed motion for recognition in order to convert its request for recognition of the CBCA Proceeding into a request for recognition of the CCAA Proceeding.

7. On March 5, 2012, this Court entered the *Order Granting Final Relief for Recognition of a Foreign Main Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521* [Docket No. 89] (the “US Recognition Order”) recognizing the CCAA Proceeding as a foreign main proceeding.

8. Additional general background regarding the Debtors’ operations and the events leading up to the restructuring are detailed in the *Second Declaration of Brian Baarda* [Docket No. 39] filed in support thereof.

B. The Restructuring Support Agreement

9. On March 11, 2012, the Debtors, representatives of certain 2014 Noteholders and representatives of certain 2016 Noteholders (each, an “Initial Supporting Noteholder” and together with the Debtors, collectively, the “RSA Parties”) executed the second Restructuring

Support Agreement (as amended, the “Second RSA”) representing a renewed attempt at a consensual arrangement between relevant stakeholders. A true and correct copy of the Second RSA is attached to the Sixth Baarda Declaration.³

10. The Second RSA contains various milestones by which the Debtors must pursue and implement the following restructuring transactions: (i) implementation of the Debtors’ Plan upon obtaining the support of the requisite majorities, at the Plan voting meeting on April 23, 2012 or immediately thereafter at the sanction hearing scheduled for April 25, 2012, consistent with the terms of the Second RSA and corresponding term sheet, or (ii) if the Plan is not approved within the specified timeframe, implementation of a transaction pursuant to the Bidding Procedures under which the Debtors seek either (x) to sell all, substantially all, or a combination of one or more Parcels (defined below)⁴ of the Debtors’ assets either pursuant to the Stalking Horse Agreement or any otherwise higher and better bid (the “Sale Transaction”) or (y) an alternative investment accompanied by an alternative CCAA plan of compromise or arrangement (the “Investment Transaction”). The Sale Process must be commenced within two (2) business days following the Plan Failure, *i.e.* failure to achieve the requisite statutory thresholds of support for approval of the present Plan. See Second RSA, 3.2(a)(ii).

³ The RSA Parties entered into the first amendment to the RSA (the “First RSA Amendment”) and the second amendment to the RSA (the “Second RSA Amendment”) on March 20, 2012 and March 22, 2012, respectively. Pursuant to the First and Second RSA Amendments, the RSA Parties agreed to extend certain milestones contained in sections 3.2 and 6.1 of the RSA to reflect occurrences in the cases. True and correct copies of the First RSA Amendment and Second RSA Amendment are attached to the Sixth Baarda Declaration.

⁴ “Parcels” is defined in Bidding Procedures as any one or more of: (i) the Debtors’ property associated with the Crofton Mill, located in British Columbia; (ii) the Debtors’ property associated with the Port Alberni Mill, located in British Columbia; (iii) the Debtors’ property associated with the Powell River Mill, located in British Columbia; (iv) the Debtors’ property associated with the Snowflake Mill, located in Snowflake, Arizona or (v) the Debtors’ property associated with the Elk Falls Pulp and Paper Mill, located near Campbell River, British Columbia.

11. With the goal of advancing the Debtors' restructuring efforts as expeditiously as possible and maximizing value to the estates, the groundwork for these two alternatives is being pursued simultaneously. Specifically, the Debtors are seeking approval of the Bidding Procedures while continuing the Plan process. As reflected in the Second RSA, the Plan would be the preferred restructuring mechanism. See Second RSA, §3.2(a)(ii)(C)(2) (explaining Plan Failure concept). The Sale Transaction and the Investment Transaction are contingency processes designed as alternatives to provide a clear path forward for these estates and their creditors should there be a Plan Failure. Id.

12. The Second RSA requires the Debtors, among other things, to obtain the Canadian SISP Order from the Canadian Court by March 20, 2012. See Second RSA, 6.1(b)(ii). The RSA Parties have since agreed to extend that deadline by two subsequent amendments, with the understanding that no other deadlines would be extended. Sixth Baarda Declaration, ¶ 6. Specifically, pursuant to the Second RSA Amendment, the deadline for entry of the Canadian SISP Order by the Canadian Court was extended until March 22, 2012. The Bidding Procedures incorporated into the Second RSA by reference, further require the Debtors to seek an order from this Court granting approval in the Chapter 15 Cases of the order from the Canadian Court approving the Bidding Procedures by March 27, 2012. See Bidding Procedures, ¶ 44 (noting that U.S. enforcement pleadings must be submitted within five (5) business days of the original deadline for entry of the Canadian SISP Order).

C. The Canadian SISP Order

13. The Canadian Court approved the Bidding Procedures and entered the Canadian SISP Order on March 22, 2012. In the Canadian SISP Order, the Canadian Court (i) authorized and directed the Debtors to enter into the Stalking Horse Agreement in substantially

the form attached to the Sixth Baarda Declaration (which form will be reviewed by the Canadian Court on application by the Debtors to be heard on or before April 2, 2012), (ii) authorized and directed the Debtors to conduct the Sale Process as set forth in the Bidding Procedures, (iii) approved the Expense Reimbursement, (iv) requested the aid of this Court in granting approval of the Bidding Procedures in the Chapter 15 Cases and (v) requested the aid and recognition of this Court in enforcing and giving effect to the order of the Canadian Court and to assist the Debtors and their agents in carrying out the terms of the order. Canadian SISP Order, ¶¶ 5, 6, 7, 8, 10. True and correct copies of (i) the Canadian SISP Order, (ii) the Bidding Procedures and (iii) the Debtors' proposed form order, to be submitted to the Canadian Court, approving the form of the Stalking Horse Agreement (the "Canadian Stalking Horse Order") are attached to the Sixth Baarda Declaration. The Debtors will submit a copy of the Canadian Stalking Horse Order, as entered by the Canadian Court, with this Court prior to the hearing on this Motion.

14. At the hearing to be held on April 2, 2012 before the Canadian Court, the Debtors will request May 18, 2012 as the date for the Joint Approval Hearing (*i.e.*, the hearing on the application to approve the consummation of the Sale Transaction to the Stalking Horse or pursuant to any otherwise higher or better offer).

15. The Stalking Horse Agreement by and among the Debtors and CP Acquisition, LLC is subject to a higher and better offer obtained through the Sale Process and will be executed, if at all, shortly after a Plan Failure. CP Acquisition, LLC is an entity formed by a majority of the 2016 Noteholders, including those 2016 Noteholders which executed the Second RSA (the "Steering Committee"). To be clear, as noted above, the Stalking Horse Agreement or other transaction resulting from the Bidding Procedures will be consummated only in the event of a Plan Failure.

16. The Bidding Procedures approved by the Canadian Court describe, among other things, the Debtors' assets available for sale (the "Assets"), the manner in which prospective bidders will be solicited and may gain access to due diligence materials concerning the Assets, the manner in which bidders and bids become qualified under the procedures and are assessed, the conduct of any subsequent auction, the ultimate selection of a winning bidder and the Courts' approval thereof.

RELIEF REQUESTED

17. By this Motion, and as contemplated by the Second RSA, the Debtors seek entry of an order (a) enforcing and giving effect to the Canadian SISP Order in the United States, (b) approving and implementing the Joint Hearing Protocol, to among other things, establish a framework for administration of the Joint Approval Hearing, (c) setting a date and time for the Joint Approval Hearing and (d) granting such other and further relief as the Court deems just and proper.

18. If the Debtors are unable to obtain the requisite creditor approval for the Plan on a timely basis under the terms of the Second RSA, the Debtors believe that the Sale Transaction (either pursuant to the Stalking Horse Agreement or otherwise) or the Investment Transaction will achieve the highest and best value for the Debtors' estates and creditors under the circumstances, and that this Court's enforcement of the Canadian SISP Order is critical to achieving such result. Among other things, it will facilitate greater efficiency by permitting the Debtors to concurrently pursue a potential transaction that can be consummated quickly if there is a Plan Failure. It will also provide further certainty to the Debtors' overall restructuring efforts.

19. Absent the relief requested herein, the Debtors and their estates will potentially suffer significant, if not irreparable, harm from any delays in the implementation of the Sale Process. Indeed, the Debtors may find themselves in a difficult financial position if there is a Plan Failure and they are not capable of quickly pursuing an alternative strategy.

20. Again, the Debtors are not seeking approval of any sale of the Assets under section 363 of the Bankruptcy Code at this time. Rather, the Debtors are seeking approval of the Bidding Procedures so that they may be implemented as necessary without any further delay. Any sale will remain subject to the filing of the Sale Motion, in accordance with section 363 of Bankruptcy Code, the Bankruptcy Rules and the Local Rules, and the Debtors request that the Court consider the Sale Motion at the Joint Approval Hearing.

A. Stalking Horse Agreement⁵

21. The following is a summary of the material terms and conditions of the Stalking Horse Agreement, which is subject to overbid approved by the Canadian Court pursuant to the Canadian SISP Order.

- (a) **Purchased Assets.** The Debtors are selling, assigning, transferring and conveying all rights, title and interest in and to the properties and assets of the Debtors (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 of the Debtors, including, without limitation, the manufacture, production and sale of newsprint, directory, mechanical paper and market pulp, and all activities incidental thereto as further detailed in the Sellers' Disclosure Letter and Stalking Horse Agreement, §2.1(a).
- (b) **Excluded Assets.** The Debtors will retain their respective rights, title and interests in and to the following: (i) certain excluded contracts and non-assignable contracts, (ii)

⁵ The description of Bidding Procedures and the Stalking Horse Agreement contained in this Motion is for informational purposes only. To the extent there is any inconsistency between the summary herein and the actual terms and conditions of Bidding Procedures and the Stalking Horse Agreement, the actual terms and conditions of Bidding Procedures and the Stalking Horse Agreement will control. Capitalized terms used, but not defined, in this summary have the meanings ascribed to them in the Stalking Horse Agreement.

certain minute books and stock ledgers, (iii) non-Business records or records of former employees, (iv) all rights of the Debtors under the Stalking Horse Agreement, (v) all rights and claims of the Debtors against any director, officer or shareholder (direct or indirect) of the Debtors or any affiliates of the Debtors, (vi) all intercompany rights and claims between any Debtors, (vii) all of the rights and claims of the U.S. Debtors available to the U.S. Debtors under the Bankruptcy Code and 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 Stalking Horse, (ix) all shares, stock or other equity interests in any Person, (x) any assets set forth on Section 2.1(b)(x) of the Purchaser's Disclosure Letter, (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 and (xii) any other assets listed on the relevant schedule of the Stalking Horse Agreement.

- (c) **Purchase Price.** The Stalking Horse shall pay, in consideration for the sale, assignment, conveyance and transfer of the Assets, the amount of Two Hundred Seventy-Five Million Dollars (\$275,000,000) (the "Purchase Price"), which Purchase Price shall be satisfied by a combination of (i) a credit bid of an amount equal to the obligations then outstanding and payable to the 2016 Noteholders and (ii) cash or through the assumption of liabilities in an amount at least equal to: (A) any claims ranking senior in priority to the 2016 Noteholders that are payable in the CCAA Proceeding or Chapter 15 Cases, including without limitation, (x) claims pursuant to the DIP Credit Agreement and (y) any other claims secured by the court ordered charges granted in the Canadian Court; (B) the purchase price for any Assets that are 2016 Noteholders' Excluded Assets and (C) any amounts payable which have been incurred by the Debtors entirely after the date of the Amended CCAA Order and before the Closing and in compliance with the Amended CCAA Order and other Orders made by the Canadian Court.
- (d) **Taxes.** The Purchaser will be liable for and will pay all Transfer Taxes to the appropriate Tax Authority. 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 for a taxable period that includes (but does not end on) the Closing Date, shall be apportioned between the Debtors and the Stalking Horse.
- (e) **Conditions to Closing.** The Stalking Horse Agreement contains typical conditions precedent to closing. In particular, the Stalking Horse Agreement includes following: (i) entry of orders by both Courts approving the Sale Transaction contemplated under the Stalking Horse Agreement and such orders shall have become Final Orders, (ii) this Court's approval of the assumption and assignment of Assigned Contracts with respect to which the Stalking Horse, (iii) written acknowledgment by the Unions of the Stalking Horse's agreement to be bound by the Collective Labor Agreements ratified on March 14, March 15 and March 16, 2012, (iv) receipt of all necessary consents for consummation of the Sale Transaction, (v) release, discharge or termination of 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 CCAA Order) and (vi) entry, by the Canadian Court, of a Final Order in form and substance acceptable to the Stalking Horse providing that the Stalking Horse will not be responsible for any liabilities or obligations of the Debtors under any of the Debtors' Employee Plans other than the Transferred Employee Plans.

- (f) **Expense Reimbursement.** The Debtors agree to pay all reasonable costs and expenses of the Stalking Horse incurred in connection with negotiating the Stalking Horse Agreement and implementing the transaction contemplated therein, which shall be granted a priority charge against all of the assets of the Canadian Debtors ranking junior only to the DIP Charge, the D&O Charge and the Financial Advisor Charge (all as defined in the Amended CCAA Order) (the "Expense Reimbursement Charge"). The Expense Reimbursement will be payable upon the earlier to occur of the following: (i) the entry of an order by the Canadian Court or this Court approving a Superior Offer (as defined in the Bidding Procedures) and (ii) the termination of the Stalking Horse Agreement in accordance with the terms set forth therein, provided that the Stalking Horse shall be required to provide to the Debtors such documentation as Debtors may reasonably request evidencing the expenses and fees in respect of which a request for reimbursement was made.
- (g) **Deadlines.** The Stalking Horse Agreement will be terminated at any time if certain milestone dates are not met with respect to the Auction, the Closing date and entry of the Courts' orders approving the Sale Transaction contemplated under the Stalking Horse Agreement.

B. The Bidding Procedures Provisions

22. The following is a summary of the material terms and conditions of the Bidding Procedures approved by the Canadian Court:⁶

- (a) **Solicitation of Interest.** No later than two (2) business days after the Plan Failure, Perella Weinberg Partners (the "Financial Advisor") will distribute an initial offering summary and a draft form of the confidentiality agreement (the "Confidentiality Agreement") to strategic and financial parties whom, in the Financial Advisor's judgment, may be interested in acquiring or investing in the Debtors.
- (b) **Qualification of Bidders.** Within fourteen (14) days of the Plan Failure (the "Potential Bidder Deadline"), in order to participate in the Bidding Procedures and gain due diligence access to the Company's materials, an interested party must

⁶ Pursuant to Local Rule 6004-1(c)(i), a Sale Procedures Motion (as defined in the Local Rules) must highlight certain provisions. Accordingly, the relevant provisions implicating Local Rule 6004-1(c)(i) are included in this summary. Capitalized terms used, but not defined, will have the meaning ascribed to them in Bidding Procedures.

deliver to the Notice Parties⁷ the following: (i) an executed Confidentiality Agreement, (ii) a specific indication of the anticipated sources of capital and preliminary evidence of the availability of such capital, (iii) a letter setting forth the potential bidder's identity, contact information, ownership and identity of management and (iv) an executed letter acknowledging receipt of a copy of the Canadian SISP Order (including the Bidding Procedures) and agreeing to be bound by the provisions contained therein. See Bidding Procedures, at ¶¶10-13. Those parties which meet the qualifications will be deemed "Qualified Phase 1 Bidders."

- (c) **Phase 1: Non-Binding Indications of Interest.** Within forty-nine (49) days of the Plan Failure (the "Phase 1 Bid Deadline") Qualified Phase 1 Bidders must deliver non-binding indications of interest. Such non-binding indications of interest (each a, "Qualified Non-Binding Indication of Interest") will contain an indication of whether the proposal is to (x) acquire all, substantially all, or one or more Parcels of the Debtors' property and related businesses (a "Sale Proposal") or (y) make an investment (an "Investment Proposal"). Those parties which meet the qualifications will be deemed "Qualified Phase 2 Bidders." The requirements for a Sale Proposal or an Investment Proposal are standard for bidding procedures in this district. Some of the requirements include, among other things, that parties identify price or investment amount, transaction structure and financing sources, Assets or Parcels included in the Sale Proposal or Investment Proposal and the proposed treatment of employees. See Bidding Procedures, at ¶¶ 20(b)-(c), 24.
- (d) **Phase 2: Qualified Bids.** Within seventy (70) days of the Plan Failure (the "Phase 2 Bid Deadline"), Qualified Phase 2 Bidders must deliver a Qualified Bid. The requirements for a Qualified Bid are standard for bidding procedures in this district. Such Qualified Bids will include, among other things, the following information: (i) duly executed purchase and sale agreement, or if an investment, other binding definitive documentation; (ii) a refundable deposit and (iii) disclosures of the identity of each entity that is bidding or otherwise that will be sponsoring or participating. See Bidding Procedures, at ¶¶ 25-27. See Bidding Procedures, at ¶¶ 25-26.
- (e) **Assessment.** There are procedures described in the Bidding Procedures that allow the process to be terminated in certain circumstances. For instance, in the event that the Debtors do not receive and/or accept a Qualified Bid(s), or there are no Qualified Phase 2 Bids, the Company must terminate the Bidding Procedures and proceed with the Stalking Horse Agreement. In many instances, if the Debtors do not timely seek such approval, the Steering Committee may apply to the Canadian Court and this Court for such approval. Additionally, a Superior Cash Offer will be preferred to a Superior Alternative Offer as will an offer to purchase all the Assets as opposed to Parcels. See, e.g., Bidding Procedures, at ¶¶ 26(r), 27(n), 32-34.

⁷ The "Notice Parties" include the following: (a) the Debtors, (b) the Financial Advisor, (c) the Monitor, (d) the Steering Committee and (e) the Initial Supporting Noteholders.

- (f) **Stalking Horse Protections.** The Stalking Horse will receive the Expense Reimbursement, which will be paid upon the earlier to occur of (a) the entry of an order by the Canadian Court or this Court approving a Superior Offer and (b) the termination of the Stalking Horse Agreement in accordance with the terms set forth in Section 9.1 of the Stalking Horse Agreement (except for any termination pursuant to Section 9.1(a)(i) or 9.1(a)(ii) in the event of breach by the Stalking Horse). See Stalking Horse Agreement, §9.2.
- (g) **Modifications of Bidding/Auction Procedures.** The Debtors, in consultation with the Financial Advisor and Monitor, may waive any of the requirements for a Qualified Non-Binding Indication of Interest or a Qualified Bid. Notwithstanding the foregoing, waiver of certain requirements with respect to Qualified Purchase Bids mandate consent of the Required 2016 Noteholders if such non-compliance is not cured within two (2) business days of the Phase 2 Bid Deadline. Additionally, with respect to the Auction, if the Stalking Horse is not participating in the Auction, the Debtors (after consultation with the Financial Advisor and Monitor) may announce additional procedural rules that are reasonable under the circumstances. See Bidding Procedures, at ¶ 29.
- (h) **Backup Bidders.** Upon conclusion of the Auction, the Debtors after consultation with the Financial Advisor and Monitor, will identify the highest and otherwise best Qualified Bid (the “Successful Bid”) in addition to the next highest or otherwise best Qualified Bid (the “Backup Bid”). The Backup Bid will remain open until the consummation of the transaction contemplated by the Successful Bid. See Bidding Procedures, at ¶¶ 39-41.

C. Joint Hearing Protocol

23. The Joint Hearing Protocol is described as follows. The Joint Approval Hearing will be held to consider the Sale Motion and Notice. In connection with the Joint Approval Hearing, unless otherwise ordered by both Courts, the following procedures shall be followed:

- (a) A telephone or video link shall be established so that both this Court and the Canadian Court shall be able to simultaneously hear and/or view the proceedings in the other Court.
- (b) Notices, submissions or applications by any party that are or become the subject of the Joint Approval Hearing (collectively, “Pleadings”) shall be made or filed only with the Court in which such party is appearing and seeking relief, unless otherwise ordered by either Court. In any event, promptly after the scheduling of any Joint

Approval Hearing, parties seeking relief from both Courts must file Pleadings with both Courts in advance of the Joint Approval Hearing. Either Court may request courtesy copies of any Pleadings. Submission of courtesy copies, by itself, shall not cause a party to be deemed to have acknowledged the jurisdiction of the Court requesting such courtesy copies.

- (c) Any party intending to request that a Court consider written evidentiary materials (collectively, “Evidentiary Materials”) at or in connection with the Joint Approval Hearing shall file or otherwise submit such Evidentiary Materials with both Courts in advance of the Joint Approval Hearing, consistent with the procedural and evidentiary rules and requirements of each Court (including, without limitation, any deadlines for the submission of Evidentiary Materials).
- (d) If a party desires to present testimony from a witness at the Joint Approval Hearing, direct testimony shall be made through written declarations which must be filed with the appropriate Court contemporaneously with such party’s Pleadings. If a party desires to cross-examine any declarant, on or before the deadline for submission of such party’s Pleadings, such party shall file with both Courts and serve on counsel for the party offering the declarant, a written request to cross-examine the declarant (the “Examination Request”). The Examination Request shall specify the material facts in genuine dispute for which the declarant’s testimony is requested and identify any Evidentiary Materials that will be utilized during the examination. If permitted by the Courts, such examinations will be taken in the Canadian Court at the Joint Approval Hearing, and the declarant and a representative of the party serving the Examination Request who is admitted to appear in the Canadian Court shall be physically present in the Canadian Court for such purpose.
- (e) The Judge of this Court and the Justice of the Canadian Court who will preside over the Joint Approval Hearing shall be entitled to communicate with each other in advance of the Joint Approval Hearing, with or without counsel being present, (A) to establish further guidelines for the orderly submission of Pleadings, Evidentiary Materials and other papers and the rendering of decisions by the Courts and (B) to address any related procedural, administrative or preliminary matters.
- (f) The Judge of this Court and the Justice of the Canadian Court shall be entitled to communicate with each other during or after the Joint Approval Hearing, with or without counsel being present, for the purposes of (A) determining whether consistent rulings can be made by both Courts; (B) coordinating the terms of the Courts’ respective rulings and (C) addressing any other procedural or administrative matters.

24. Notwithstanding anything herein to the contrary, this Joint Hearing Protocol recognizes that the Court and the Canadian Court are independent courts and the approval and implementation of the Joint Hearing Protocol shall not divest nor diminish this Court’s and the

Canadian Court's respective independent jurisdiction over the subject matter of the U.S. Proceedings and the CCAA Proceedings, respectively. Accordingly, although the Courts will seek to cooperate and coordinate with each other in good faith, each of the Courts shall be entitled at all times to exercise its independent jurisdiction and authority with respect to (a) matters presented to and properly before such Court and (b) the conduct of the parties appearing in such matters presented to such Court.

BASIS FOR RELIEF

25. CPC commenced these Chapter 15 Cases to obtain recognition of the CCAA Proceeding as a foreign proceeding. CPC's and the Debtors' ultimate goal is to ensure an orderly administration of the Debtors' financial affairs and the restructuring of the Debtors' capital structure under the auspices of the CCAA Proceeding with the aid of this Court. Enforcement in the United States of the Canadian SISP Order and implementation of the Joint Hearing Protocol will assist in the Debtors' reorganization objectives should there be a Plan Failure. Without the relief requested in the Motion, the resultant delay and disruption of the Debtors' restructuring efforts will impair value and harm creditors and other parties in interest.

A. The Relief Requested Herein Is Supported by the Bankruptcy Code

26. The relief requested herein is authorized by sections 105(a), 363, 1520, 1521, 1525 and 1527 of the Bankruptcy Code.

27. Section 1520 of the Bankruptcy Code provides, in pertinent part, that "[u]pon recognition of a foreign proceeding that is a foreign main proceeding, [section 363 of the Bankruptcy Code applies] to a transfer of an interest of the debtor in property that is within the territorial jurisdiction of the United States." 11 U.S.C. § 1520(a)(2). Section 363(b)(1) of the Bankruptcy Code, in turn, provides, in relevant part, that a debtor "after notice and a hearing,

may use, sell, or lease, other than in the ordinary course of business, property of the estate.” Id. at § 363(b)(1).

28. Additionally, section 1521 of the Bankruptcy Code sets forth various types of relief that may be granted upon recognition of a foreign proceeding. Specifically, section 1521(b) of the Bankruptcy Code provides, in pertinent part, that “[u]pon recognition of a foreign proceeding . . . the court may, at the request of the foreign representative, entrust the distribution of all or part of the debtor’s assets located in the United States to the foreign representative.” 11 U.S.C. §1521(b). Further, section 1521(a)(7) of the Bankruptcy Code states that post-recognition, “where necessary to effectuate the purpose of this chapter” and to “protect the assets of the debtor or the interests of the creditors,” the Court may grant “any additional relief that may be available to a trustee, except for relief available under sections 522, 544, 545, 547, 548, 550, and 724 (a).” 11 U.S.C. §1521(a)(7). Courts typically grant relief pursuant to section 1521(a)(7) when it will further the purposes of chapter 15 and maximize value of the Debtors’ assets. See In re Fairfield Sentry Ltd., 452 B.R. 52, 63-64 (Bankr. S.D.N.Y. 2011) (granting relief pursuant to 1521(a)(7) where such relief will “foster the objectives of chapter 15 by facilitating the duties of the Foreign Representatives,” is “necessary to aid . . . efforts to achieve . . . recoveries for the benefit of stakeholders,” and is “necessary . . . for the fair and efficient administration of this cross-border insolvency and the effective protection and maximization of the value of the Debtors’ principle assets”).

29. Additionally, sections 1525 and 1527 of the Bankruptcy Code, when read in conjunction, direct courts “to cooperate to the maximum extent possible” with courts administering foreign proceedings regarding “the coordination of the administration and supervision” of the Debtors’ assets and affairs. 11 U.S.C. §§ 1525, 1527(3).

30. This Court has already recognized the CCAA Proceeding as a foreign main proceeding, therefore section 363 of the Bankruptcy Code applies to these Chapter 15 Cases. Due to the applicability of section 363 of the Bankruptcy Code, the Bidding Procedures and the Stalking Horse Agreement have already been structured to be fully consistent with the provisions of section 363 of the Bankruptcy Code and precedent persuasive to both the Canadian Court and this Court. Accordingly, the Court has the power to enforce Canadian SISP Order on these bases alone.

31. Next, the Canadian SISP Order invokes the “coordination of the administration and supervision” of the Debtors’ assets within the meaning of the sections 1525 and 1527 of the Bankruptcy Code. Further, enforcing such order would “effectuate the purpose” of chapter 15 within the meaning of section 1521 of the Bankruptcy Code. What is more, the Canadian Court has specifically requested this Court’s cooperation and assistance in giving effect to the procedures set forth in the Canadian SISP Order. Canadian SISP Order, ¶10. Consequently, cooperation from this Court in the form of enforcement is appropriate. In addition, the Canadian SISP Order will further the progress of the CCAA Proceeding, the accompanying Chapter 15 Cases and the Debtors’ restructuring efforts generally by establishing the framework for a viable alternative to the Plan.

32. The Debtors believe that the Sale Process will achieve the highest and best available value for the benefit of the Debtors’ estates apart from implementation of the Plan. The Debtors’ estates do not have sufficient liquidity to delay the Sale Process for any significant period of time beyond the timeframe contemplated in the Bidding Procedures; and, the Assets will likely decline in value absent a prompt sale or investment transaction. See Sixth Baarda Declaration, ¶9. The Bidding Procedures allows for a timely and efficient process, while

providing potential bidders with ample time and information to submit a timely bid. Further, the Sale Process is designed to ensure that a restructuring transaction will provide the highest or otherwise best available recovery for the Debtors' stakeholders, while taking into account timing restraints. Moreover, even if more time were available, the Debtors would run the risk that the Assets would significantly dissipate in value and become difficult, if not impossible, to properly maintain pending the conclusion of a prolonged auction and sale process. This Court's enforcement of the Canadian SISP Order, therefore, is critical to preserving value and maximizing creditor recoveries.

33. Accordingly, by enforcing the Canadian SISP Order, this Court will facilitate greatly the Debtors' restructuring efforts and ultimately enhance the potential value available to stakeholders.

34. Furthermore, relief similar to that requested herein has been granted in other chapter 15 cases in this district. See, e.g., In re EarthRenew IP Holdings LLC, No. 10-13363 (Bankr. D. Del. Nov. 10, 2010) (giving full force and effect to Canadian order, issued under Bankruptcy and Insolvency Act, setting forth sale process procedures and approving breakup fee approved in foreign proceeding); In re Wellpoint Sys. Inc., No. 11-10423 (Bankr. D. Del. Feb. 25, 2011) (same).

B. The Expense Reimbursement Is Appropriate Under the Circumstances

35. The Expense Reimbursement provisions of the Stalking Horse Agreement are likewise well-supported by section 363 jurisprudence. See, e.g., In re Friendly Ice Cream Corporation, No. 11-13167 (Bankr. D. Del. Nov. 3, 2011) (approving stalking horse expense reimbursement fee over objections that stalking horse might have bid for debtor assets without

reimbursement); In re Evergreen Solar, Inc., No. 11-12590 (Bankr. D. Del. Sep. 9, 2011)

(approving reasonable expense reimbursement for stalking horse).

36. In addition, although section 503 of the Bankruptcy Code does not apply in chapter 15,⁸ the Expense Reimbursement also satisfies the requirements of that statute. See, e.g., Calpine Corp. v. O’Brien Env’tl. Energy, Inc. (In re O’Brien Env’tl. Energy, Inc.), 181 F.3d 527 (3d Cir. 1999); Kelson Channelview LLC v. Reliant Energy Channelview LP (In re Reliant Energy Channel LP), No. 09-2074 (3d Cir. Jan. 15, 2010) (applying the O’Brien standard).

37. In O’Brien, the Third Circuit concluded that the determination whether break-up fees or expense reimbursements are allowable under section 503(b) of the Bankruptcy Code must be made in reference to general administrative expense jurisprudence. In other words, the allowability of bidding incentives “depends upon the requesting party’s ability to show that the fees were actually necessary to preserve the value of the estate.” In re O’Brien, 181 F.3d at 535.

38. The Third Circuit identified at least two instances in which bidding incentives, such as expense reimbursements may benefit the estate. First, expense reimbursement may be necessary to preserve the value of the estate if assurance of the incentive “promote[s] more competitive bidding, such as by inducing a bid that otherwise would not have been made and without which bidding would have been limited.” Id. at 537. Second, if the availability of an expense reimbursement were to induce a bidder to research the value of the debtor and convert that value to a dollar figure on which other bidders can rely, the bidder may have provided a benefit to the estate by increasing the likelihood that the price at which the debtor is sold will reflect its true worth. Id.

⁸ See 11 U.S.C. § 103(a).

39. As specifically noted in the Sixth Baarda Declaration, the Debtors do not believe that the Sale Process would generate sufficient interest and therefore maximize value absent a baseline, stalking horse bid. Sixth Baarda Declaration, ¶10. The Stalking Horse Agreement represents a substantial, broad transaction for substantially all of the Debtors' assets on a basis that, in the Debtors' estimation, will attract other interested parties to bid. Id. The Debtors were unable to cause the Stalking Horse (or any other party) to agree to the terms and conditions of the Stalking Horse Agreement absent a binding commitment to the Expense Reimbursement. Id. Therefore, absent this Court's authorization of the payment of the Expense Reimbursement, the Debtors might lose a valuable mechanism for protecting value for the benefit of their estates.

40. Given the exigencies of the Debtors' financial condition, the Stalking Horse's expected assumption of liabilities and the current state of the specialty paper manufacturing industry, the Debtors' payment of the Expense Reimbursement under the circumstances described herein would be (i) an actual and necessary cost and expense of preserving the Debtors' estates, (ii) of substantial benefit to the Debtors' estates and (iii) reasonable and appropriate in light of the efforts and the significant expenses that have been and will be expended by the Stalking Horse. Thus, the Debtors request that this Court approve and authorize payment of the Expense Reimbursement pursuant to the terms of the Stalking Horse Agreement.

C. Joint Hearings

41. Section 105(a) of the Bankruptcy Code provides, in pertinent part, that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). To this end, courts have held that when carrying out the provisions of chapter 15, comity and cooperation in cross-border insolvency proceedings are principles of "due regard both to international duty and convenience" Hilton v. Guyot, 159

U.S. 113, 163-64 (1985). In In re Ionica, PLC, 241 B.R. 829 (Bankr. S.D.N.Y. 1999), it was noted that courts have “often underscored the importance of extending comity in foreign bankruptcy proceedings, emphasizing that deference to foreign insolvency proceedings will, in many cases, facilitate ‘equitable, orderly and systematic’ distribution of the debtor’s assets.” *Id.*, quoting Maxwell Commc’n Corp. v. Societe Generale (In re Maxwell Commc’n Corp.), 93 F.3d 1036, 1048 (2d Cir. 1996).

42. Here, implementation of the Joint Hearing Protocol will manifest such cooperation as envisioned by the cases cited above and is an appropriate exercise of the Court’s discretionary powers under section 105(a) of the Bankruptcy Code.

43. Given that the Debtors are required to obtain separate approval from both Courts of the Sale Motion, there is a substantial need for a cross-border protocol. Under the Second RSA and incorporated Bidding Procedures, the Debtors are required to seek approval from both this Court and the Canadian Court of the sale contemplated in the Stalking Horse Agreement subject to any higher or otherwise better bid. See Second RSA, §6.1(b); Bidding Procedures ¶44. If no administrative procedures are implemented to coordinate the applicable hearings by the Courts, then the Debtors, parties in interest and their respective counsel will be forced to engage in unnecessarily duplicative efforts. Implementation of the Joint Hearing Protocol will avoid such wastefulness and any inconsistencies between the Courts in favor of cross-border cooperation with respect to the Sale Motion.

44. Indeed, the Joint Hearing Protocol establishes a necessary and appropriate means for communication between the two Courts, and will facilitate the requisite level of coordination in respect of cross-border matters arising in these proceedings. In addition, the purely procedural and administrative nature of the Joint Hearing Protocol proposed herein, which

does not adversely affect any party's substantive rights, may (and should) be implemented now. In fact, it would be imprudent to delay the implementation of the basic administrative procedures and protections provided herein. Moreover, under the circumstances, the Joint Hearing Protocol will ease the Courts' repetitive administrative and other burdens.

45. A number of courts, in this district and elsewhere, have authorized similar protocols for managing cross-border insolvency proceedings generally. See, e.g., In re Nortel Networks, Inc., No. 09-10138 (Bankr. D. Del. Jan. 15, 2009); In re Masonite Corp., No. 09-10844 (Bankr. D. Del. Apr. 14, 2009); In re Calpine Corp., No. 05-60200 (Bankr. S.D.N.Y. Jan. 26, 2006).

46. Furthermore, not only is the relief requested herein consistent with chapter 15 precedent, but it is also consistent with the themes expressed in the *Guidelines Applicable to Court-to-Court Communications in Cross-Border Cases* (the "ALI Guidelines") developed by the American Law Institute in association with the International Insolvency Institute. See American Law Institute, *Guidelines Applicable to Court-to-Court Communications in Cross-Border Cases* (June 10, 2001) available at <http://www.iiiglobal.org/international/guidelines.html>. Specifically, Guideline 9 of the ALI Guidelines discusses joint hearings and sets forth a number of related procedural guidelines.

47. Therefore, CPC respectfully requests that this Court approve the Joint Hearing Protocol outlined above and schedule the Joint Approval Hearing for May 18, 2012 (i.e., the date to be scheduled by the Canadian Court subject to later adjournment).

48. CPC is requesting May 18, 2012 as the Joint Approval Hearing date because it is the earliest possible date for a hearing on the Sale Motion should the Debtors fail to receive Qualified Bids (as defined in the Bidding Procedures) for the Assets. With no Qualified Bids,

there would be no need for an auction and this Court could consider the Sale Motion shortly after the expiration of the notice period applicable to the Sale Motion. Securing this early hearing date will ensure a timely Sale Transaction without any unnecessary or costly delays to the Debtors and their estates.

49. CPC hopes and expects that the auction process will nonetheless generate additional bids beyond the Stalking Horse Agreement. In that event, CPC will request a postponement of the Joint Approval Hearing to a date acceptable to both Courts that will enable the Debtors to pursue the balance of the Sale Process pursuant to the Bidding Procedures. The Debtors request the opportunity to request necessary postponements of the Joint Approval Hearing as and when necessary or appropriate.

NOTICE

50. CPC proposes to notify all Notice Parties of (a) the filing of this Motion, (b) the deadline to object to the Motion and (c) the hearing date for this Motion in accordance with this Court's *Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition* [Docket No. 23] (the "Notice Order"). In light of the nature of the relief requested herein, CPC submits that no other or further notice of this Motion is necessary or required.

CONCLUSION

WHEREFORE, CPC respectfully requests that this Court (i) grant this Motion and the relief requested herein; (ii) enter the Proposed Order substantially in the form attached hereto and (iii) grant such other and further relief as it deems just and proper.

Dated: Los Angeles, California
March 27, 2012

/s/ Van C. Durrer, II

Van C. Durrer, II (I.D. No. 3827)
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
300 South Grand Avenue
Los Angeles, California 90071
(213) 687-5000

Counsel for Catalyst Paper Corporation

EXHIBIT A

Proposed Order

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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. ¹	:	
	:	Related Docket No. _____
	X	

**ORDER (I) ENFORCING CANADIAN COURT ORDER IN CONNECTION WITH
SALE AND INVESTOR SOLICITATION PROCEDURES AND (II) APPROVING
PROTOCOL FOR A JOINT CROSS-BORDER SALE HEARING**

Upon consideration of the motion (the “Motion”)² of Catalyst Paper Corporation (“CPC”), as the authorized foreign representative for itself and its above-captioned affiliates (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CCAA Proceeding”) under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “CCAA”), pending before the Supreme Court of British Columbia (the “Canadian Court”), for the entry of an order, pursuant to sections 105(a), 363, 1520, 1521, 1525 and 1527 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”) (I) enforcing and giving effect in the United

¹ These jointly administered cases are those of the following Debtors: 0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd. (collectively, the “Canadian Debtors”) in addition to Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company (collectively, the “U.S. Debtors”).

² Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Motion.

States to Canadian SISP Order pursuant to which the Canadian Court (a) approved the sale and investor solicitation process (the “Sale Process”), (b) approved the Sale and Investor Solicitation Procedures (the “SISP” or “Bidding Procedures”), (c) authorized and directed the Debtors to enter into that certain purchase and sale agreement (the “Stalking Horse Agreement”) between the Debtors and an entity (the “Stalking Horse”) created by the holders of a majority in aggregate principal amount of the 11% senior secured notes due December 15, 2016 (collectively, the “Required 2016 Noteholders”) to acquire substantially all of the assets of the Debtors on behalf of all holders of 11% senior secured notes due December 15, 2016 (collectively, the “2016 Noteholders”) and (d) approved the reimbursement of the Stalking Horse’s professional fees and expenses incurred in connection with the development of the Stalking Horse Agreement and participation in the Sale Process in an amount not to exceed \$1,000,000 (the “Expense Reimbursement”), (II) implementing the Joint Hearing Protocol for the administration of the Joint Approval Hearing to consider any forthcoming motion seeking approval of the consummation of the Sale Transaction contemplated under the Stalking Horse Agreement subject to any otherwise higher or better offer (the “Sale Motion”) provided by any successful bidder that is not the Stalking Horse pursuant to the Bidding Procedures, to be held simultaneously by this Court and the Canadian Court (together, the “Courts”) and (III) setting the time, date and place of the Joint Approval Hearing to consider the transaction consummated pursuant to the Bidding Procedures; and upon consideration of the *Sixth Declaration of Brian Baarda* [Docket No. ____]; and upon further consideration of the record of the hearing on the Motion having been held before this Court; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND
CONCLUSIONS OF LAW:

A. The court has jurisdiction over the Motion pursuant to 28 U.S.C. § 157 and 1334, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).

B. Venue of these cases and the Motion in this district is proper under 28 U.S.C. §1410.

C. Good and sufficient notice of the Motion and the relief granted by this Order has been given and no other or further notice is required. A reasonable opportunity to object or be heard regarding the relief granted by this Order has been afforded to those parties entitled to notice pursuant to Local Rule 2002-1(b).

D. The Bidding Procedures, attached hereto as Exhibit 1, are fair, reasonable and are designed to maximize value for the benefit of the Debtors' estates.

E. The relief granted in this Order is in the best interests of the Debtors, their estates and parties in interest and is an appropriate exercise of the Court's power under or in connection with the Bankruptcy Code, including, but not limited to, sections 105(a), 363, 1520, 1521, 1525 and 1527 thereof.

F. The reimbursement of expenses as provided for in the Stalking Horse Agreement (the "Expense Reimbursement") is the product of extensive arm's-length negotiations between the Debtors and the Stalking Horse. The Expense Reimbursement was a material inducement for, and in consideration of, the Stalking Horse's entry into the Stalking Horse Agreement. Accordingly, payment of the Expense Reimbursement under the circumstances described in the Stalking Horse Agreement is: (i) an actual and necessary cost and expense of preserving the Debtors' estates; (ii) commensurate to the real and substantial benefit conferred

upon the Debtors' estates by the Stalking Horse; (iii) reasonable and appropriate, in light of the size and nature of the proposed Sale Transaction and comparable transactions, the commitments that have been made, and the efforts that have been and will be expended by the Stalking Horse and (iv) necessary to induce the Stalking Horse to continue to pursue the sale transaction and to continue to be bound by the Stalking Horse Agreement.

G. The Expense Reimbursement also induced the Stalking Horse to submit a bid that will serve as a threshold bid on which the Debtors, their creditors and other bidders may rely. The Stalking Horse has provided a material benefit to the Debtors and their creditors by increasing the likelihood that Debtors will receive the best possible price for the Assets. The Expense Reimbursement will not have an adverse impact upon the Debtors, their estates, or their creditors. Accordingly, the Bidding Procedures, including the Expense Reimbursement, are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtors' estates and creditors.

H. The entry of this Order is in the best interests of the Debtors and their estates, creditors and interest holders and all other parties in interest herein, therefore,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted.
2. The Canadian SISP Order, including without limitation, the approved Bidding Procedures and other relief granted therein, is hereby given full force and effect in the United States.
3. The Canadian Stalking Horse Order is hereby given full force and effect in the United States.

4. The Expense Reimbursement is approved on the terms set forth in the Stalking Horse Agreement.

JOINT HEARING PROTOCOL

5. The Joint Hearing Protocol is approved as provided in this Order. The Courts may modify or waive the provisions of the Joint Hearing Protocol at any time by further order entered by each Court.

6. The Courts shall conduct the Joint Approval Hearing in connection with the Sale Motion. With respect to the Joint Approval Hearing, the following procedures shall be followed:

- (a) A telephone or video link shall be established so that both this Court and the Canadian Court shall be able to simultaneously hear and/or view simultaneously the proceedings in the other Court.
- (b) Notices, submissions or applications by any party that are or become the subject of the Joint Approval Hearing (collectively, “Pleadings”) shall be made or filed only with the Court in which such party is appearing and seeking relief, unless otherwise ordered by either Court. In any event, promptly after the scheduling of any Joint Approval Hearing, parties seeking relief from both Courts must file Pleadings with both Courts in advance of the Joint Approval Hearing. Either Court may request courtesy copies of any Pleadings. Submission of courtesy copies, by itself, shall not cause a party to be deemed to have acknowledged the jurisdiction of the Court requesting such courtesy copies.
- (c) Any party intending to request that a Court consider written evidentiary materials (collectively, “Evidentiary Materials”) at or in connection with the Joint Approval Hearing shall file or otherwise submit such Evidentiary Materials with both Courts in advance of the Joint Approval Hearing, consistent with the procedural and evidentiary rules and requirements of each Court (including, without limitation, any deadlines for the submission of Evidentiary Materials).
- (d) If a party desires to present testimony from a witness at the Joint Approval Hearing, direct testimony shall be made through written declarations which must be filed with the appropriate Court contemporaneously with such party’s Pleadings. If a party desires to cross-examine any declarant, on or before the

deadline for submission of such party's Pleadings, such party shall file with both Courts and serve on counsel for the party offering the declarant, a written request to cross-examine the declarant (the "Examination Request"). The Examination Request shall specify the material facts in genuine dispute for which the declarant's testimony is requested and identify any Evidentiary Materials that will be utilized during the examination. If permitted by the Courts, such examinations will be taken in the Canadian Court at the Joint Approval Hearing, and the declarant and a representative of the party serving the Examination Request who is admitted to appear in the Canadian Court shall be physically present in the Canadian Court for such purpose.

- (e) The Judge of this Court and the Justice of the Canadian Court who will preside over the Joint Approval Hearing shall be entitled to communicate with each other in advance of the Joint Approval Hearing, with or without counsel being present, (A) to establish further guidelines for the orderly submission of Pleadings, Evidentiary Materials and other papers and the rendering of decisions by the Courts and (B) to address any related procedural, administrative or preliminary matters.
- (f) The Judge of this Court and the Justice of the Canadian Court shall be entitled to communicate with each other during or after the Joint Approval Hearing, with or without counsel being present, for the purposes of (A) determining whether consistent rulings can be made by both Courts; (B) coordinating the terms of the Courts' respective rulings and (C) addressing any other procedural or administrative matters.

ADDITIONAL RELIEF

7. The auction, to be held in accordance with the Bidding Procedures, will be held on **[July 10, 2012]** at 9:30 a.m. (Vancouver time), at the offices of PricewaterhouseCoopers Inc., 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7, or such other location as shall be timely communicated to all entities entitled to attend at the Auction.

8. Bidding at the auction will be transcribed in accordance with Local Rule 6004-1(c).

9. Each bidder participating at the auction will be required to confirm at the auction, on the record, that it has not engaged in any collusion with respect to the bidding or relevant transaction in accordance with Local Rule 6004-1(c).

10. If no auction occurs due to a lack of competing bids, the Joint Approval Hearing shall be held on **May 18, 2012 at :00 p.m. (Eastern Time)**, subject to confirmation from the Canadian Court, to consider the merits of the Sale Motion. **May 10, 2012 at :00 p.m. (Eastern Time)** is hereby set as the objection deadline for objections to the Sale Motion. Replies to any objections may be filed by **May 15, 2012 at :00 p.m. (Eastern Time)**. Each of the above dates may be adjourned and continued, at the request of CPC as circumstances may require, should the Debtors receive competing bids pursuant to the Bidding Procedures.

11. In the event there is a conflict between this Order and the Motion or the Stalking Horse Agreement, this Order shall control and govern.

12. Nothing in this Order or the Motion shall be deemed to or constitute the assumption or assignment of an executory contract or unexpired lease.

13. The Debtors are authorized and empowered to take such steps and perform such actions as may be necessary to implement and effectuate the terms of this Order.

14. This Court shall retain jurisdiction with respect to all matters arising or related to the implementation or interpretation of this Order.

Dated: April __, 2012
Wilmington, Delaware

Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Bidding Procedures

SALE AND INVESTOR SOLICITATION PROCEDURES

Catalyst Paper Corporation et al. **Procedures for the Sale and Investor Solicitation Process**

On January 31, 2012, Catalyst Paper Corporation (“CPC”), together with certain of its subsidiaries and affiliates as listed in Schedule “A” hereto (collectively, the “**Petitioners**”), obtained an initial order (as amended and restated by order dated February 3, 2012 and as it has been and may be further amended, restated or supplemented from time to time, collectively, the “**Amended and Restated Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (as amended, the “**CCAA**”) from the Supreme Court of British Columbia, Vancouver Registry (the “**Canadian Court**”). The Amended and Restated Initial Order also applies to Catalyst Paper General Partnership (which, together with the Petitioners, make up the “**Catalyst Entities**”). On February 1, 2012, CPC, as the foreign representative of the Catalyst Entities, commenced a recognition proceeding pursuant to Chapter 15 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”, and together with the Canadian Court, the “**Courts**”). On March 5, 2012, the U.S. Bankruptcy Court recognized the Canadian proceeding as a foreign main proceeding pursuant to Chapter 15 of the Bankruptcy Code.

On March 22, 2012, the Canadian Court entered an order (the “**SISP Approval Order**”) approving an agreement of purchase and sale (the “**Stalking Horse Purchase Agreement**”) between the Catalyst Entities and an entity established by the Required Noteholders (the “**Stalking Horse Bidder**”), to submit a bid to acquire substantially all of the assets of the Catalyst Entities on behalf of the Holders of the Senior Secured Notes (the “**Stalking Horse Bid**”), a sale and investor solicitation process (the “**SISP**”) and the SISP procedures set forth herein (these “**SISP Procedures**”).

The SISP Approval Order, the SISP and these SISP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of all, substantially all, or one or more Parcels of the Catalyst Property and Catalyst Business or for the restructuring, recapitalization or refinancing of the Catalyst Entities and the Catalyst Business.

All dollar amounts expressed herein, unless otherwise noted, are in United States currency. Unless otherwise indicated herein any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the SISP Approval Order. In addition, in these SISP Procedures:

“Amended and Restated Initial Order” has the meaning ascribed thereto in the recitals above;

“Auction” has the meaning ascribed thereto in section (35);

“Auction Bidders” has the meaning ascribed thereto in section (35)(a);

“Backup Bid” has the meaning ascribed thereto in section (39);

“Backup Bid Expiration Date” has the meaning ascribed thereto in section (41);

“Backup Bidder” has the meaning ascribed thereto in section (39);

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day which is a statutory holiday in either Vancouver, British Columbia or New York City, New York;

“Canadian Approval Hearing” has the meaning ascribed thereto in section (43);

“Canadian Catalyst Assets” means the property, assets and undertaking of CPC, Catalyst Pulp Operations Limited, Catalyst Pulp Sales Inc., Pacifica Poplars Ltd., Catalyst Pulp and Paper Sales Inc., Elk Falls Pulp and Paper Limited, Catalyst Paper Energy Holdings Inc. and 0606890 B.C. Ltd.;

“Canadian Court” has the meaning ascribed thereto in the recitals above;

“Catalyst Business” means the business carried on by the Catalyst Entities and non-debtor subsidiaries of CPC;

“Catalyst Entities” has the meaning ascribed thereto in the recitals above;

“Catalyst Property” means the property, assets and undertaking of the Catalyst Entities or any part thereof;

“CCAA” has the meaning ascribed thereto in the recitals above;

“CCAA Plan” has the meaning ascribed thereto in section (4);

“Claims and Interests” has the meaning ascribed thereto in section (6);

“Collateral Trustee” means Computershare Trust Company of Canada, as collateral trustee, under the Senior Secured Note Indentures and any successor collateral trustee thereunder;

“Confidentiality Agreement” has the meaning ascribed thereto in section (9);

“Courts” has the meaning ascribed thereto in the recitals above;

“CPC” has the meaning ascribed thereto in the recitals above;

“Definitive Investment Agreement” has the meaning ascribed thereto in section (27)(a);

“Deposit” has the meaning ascribed thereto in section (26)(k);

“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 debtor-in-possession credit and security agreement among JPMorgan Chase Bank, N.A., the guarantors thereunder, and the DIP Lenders dated as of February 7, 2012, as amended, restated or supplemented from time to time;

“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;

“Financial Advisor” means Perella Weinberg Partners, solely in its capacity as financial advisor to the Catalyst Entities;

“Holders” means the beneficial holders from time to time of the Senior Secured Notes;

“Initial Supporting Noteholders” has the meaning ascribed thereto in the Restructuring Support Agreement;

“Investment Proposal” has the meaning ascribed thereto in section (20)(a);

“Known Potential Bidders” has the meaning ascribed thereto in section (7);

“Leading Bid” has the meaning ascribed thereto in section (35)(i);

“Majority Initial Supporting Noteholders” has the meaning ascribed thereto in the Restructuring Support Agreement;

“Minimum Incremental Overbid” has the meaning ascribed thereto in section (35)(i);

“Monitor” means PricewaterhouseCoopers Inc., in its capacity as Monitor of the Catalyst Entities pursuant to the Amended and Restated Initial Order;

“Non-Binding Indication of Interest” has the meaning ascribed thereto in section (18);

“Notice Parties” has the meaning ascribed thereto in section (49);

“Parcels” means any one or more of: (i) the Catalyst Property associated with the Crofton Mill, located in British Columbia; (ii) the Catalyst Property associated with the Port Alberni Mill, located in British Columbia; (iii) the Catalyst Property associated with the Powell River Mill, located in British Columbia; (iv) the Catalyst Property associated with the Snowflake Mill, located in Snowflake, Arizona; or (v) the Catalyst Property associated with the Elk Falls Pulp and Paper Mill, located near Campbell River, British Columbia;

“Parcels Sale Proposal” means a Sale Proposal for one or more Parcels;

“Petitioners” has the meaning ascribed thereto in the recitals above;

“Phase 1 Bid Deadline” has the meaning ascribed thereto in section (19);

“Phase 2 Bid Deadline” has the meaning ascribed thereto in section (25);

“Plan Failure” has the meaning ascribed thereto in the SISP Approval Order;

“Potential Bidder” has the meaning ascribed thereto in section (10);

“Potential Bidder Deadline” has the meaning ascribed thereto in section (10);

“Purchase Price” has the meaning ascribed thereto in section (26)(b);

“Qualified Bidder” has the meaning ascribed thereto in section (28);

“Qualified Bids” has the meaning ascribed thereto in section (28);

“Qualified Investment Bid” has the meaning ascribed thereto in section (27);

“Qualified Non-Binding Indication of Interest” has the meaning ascribed thereto in section (20);

“Qualified Phase 1 Bidder” has the meaning ascribed thereto in section (11);

“Qualified Phase 2 Bidder” has the meaning ascribed thereto in section (24);

“Qualified Purchase Bid” has the meaning ascribed thereto in section (26);

“Required Noteholders” means the Holders of a majority in aggregate principal amount of the Senior Secured Notes outstanding at such time;

“Restructuring Support Agreement” means that certain Restructuring Support Agreement, dated as of March 11, 2012, by and among the Catalyst Entities and certain other signatories thereto;

“Sale Proposal” has the meaning ascribed thereto in section (20)(a);

“Senior Secured Note 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 Collateral Trustee, Trustee and the Holders, each as applicable, under the Senior Secured Note Indentures as at the closing date of the Successful Bid;

“Senior Secured Note Indentures” means the indentures governing the Senior Secured Notes;

“Senior Secured Notes” means (i) the 11% Senior Secured Notes due December 15, 2016 issued by CPC pursuant to that certain Indenture, dated as of March 10, 2010, by and among CPC, as issuer, certain of its affiliates, as guarantors, the Trustee and the Collateral Trustee; and (ii) the Class B 11% Senior Secured Notes due December 15, 2016 issued by CPC pursuant to that certain Indenture, dated as of May 19, 2010, by and among CPC, as issuer, certain of its affiliates, as guarantors, the Trustee and the Collateral Trustee;

“Senior Secured Notes Excluded Assets” means those assets of the Catalyst Entities forming part of the Catalyst Property which are not charged by the security granted to the Collateral Trustee by the Catalyst Entities to secure the obligations and liabilities 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, as described in Schedule “B” hereto;

“SISP” has the meaning ascribed thereto in the recitals above;

“SISP Approval Order” has the meaning ascribed thereto in the recitals above;

“SISP Procedures” has the meaning ascribed thereto in the recitals above;

“Solicitation Process” has the meaning ascribed thereto in section (2);

“Stalking Horse Bid” has the meaning ascribed thereto in the recitals above;

“Stalking Horse Bidder” has the meaning ascribed thereto in the recitals above;

“Stalking Horse Purchase Agreement” has the meaning ascribed thereto in the recitals above;

“Starting Bid” has the meaning ascribed thereto in section (35)(b);

“Steering Committee” means a committee represented by Fraser Milner Casgrain LLP and Akin Gump Strauss Hauer & Feld LLP comprised of certain of the Holders of the Senior Secured Notes representing the Required Noteholders;

“Subsequent Bid” has the meaning ascribed thereto in section (35)(i);

“Successful Bid” has the meaning ascribed thereto in section (39);

“Successful Bidder” has the meaning ascribed thereto in section (39);

“Superior Alternative Offer” means one or more credible, reasonably certain and financially viable Qualified Bids that do not, individually or in the aggregate, constitute a Superior Cash Offer but are approved by the Required Noteholders;

“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 an amount exceeding the Stalking Horse Bid amount, including any Subsequent Bid by the Stalking Horse Bidder, 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 proceedings or Chapter 15 proceedings with respect to the Catalyst Entities or Catalyst Property 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 Order or any other order of the Canadian Court in the CCAA proceedings and any claims in respect of assets of the Catalyst Entities 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 Catalyst Entities entirely (x) after the date of the Amended and Restated Initial Order and before the closing of a transaction hereunder; and (y) in compliance with the Amended and Restated Initial Order and other Orders made by the Canadian Court in the CCAA proceedings with respect to the Catalyst Entities;

“Superior Offer” means either a Superior Cash Offer or a Superior Alternative Offer;

“Teaser Letter” has the meaning ascribed thereto in section (7);

“Trustee” means Wilmington Trust, National Association, as trustee under the Senior Secured Note Indentures and any successor trustee thereunder;

“U.S. Approval Hearing” has the meaning ascribed thereto in section (44);

“U.S. Bankruptcy Court” has the meaning ascribed thereto in the recitals above; and

“U.S. Catalyst Assets” means the property, assets and undertaking of Catalyst Paper Recycling Inc., Catalyst Paper (Snowflake) Inc., Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc. and The Apache Railway Company.

“Stalking Horse”

(1) Pursuant to the SISP Approval Order, the Stalking Horse Bidder has been designated as such by the Catalyst Entities.

Solicitation Process

(2) These SISP Procedures describe, among other things, the Catalyst Property available for sale, the opportunity for an investment in the Catalyst Entities, the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Catalyst Entities, the Catalyst Property, and the Catalyst Business, the manner in which bidders and bids become Qualified Bidders and Qualified Bids, respectively, the receipt and negotiation of bids received, the ultimate selection of one or more Successful Bids, and the approval thereof by the Courts (collectively, the “**Solicitation Process**”).

(3) The Catalyst Entities, in consultation with the Financial Advisor and under the supervision of the Monitor, shall conduct these SISP Procedures and the Solicitation Process as outlined herein. Certain stages of the SISP Procedures may be conducted by the Catalyst Entities simultaneous to the preparation, solicitation or confirmation of a CCAA Plan by the Catalyst Entities. In addition, the closing of any sale may involve additional intermediate steps or transactions to facilitate consummation of such sale, including additional Court filings. In the event that there is a disagreement or clarification required as to the interpretation or application of the SISP or the responsibilities of the Monitor, the Financial Advisor or the Catalyst Entities hereunder, the Canadian Court will have the jurisdiction to hear such matter and provide advice and directions, upon application of the Monitor or the Catalyst Entities with a hearing on no less than 3 business days notice.

Sale and Investment Opportunity

(4) An investment in the Catalyst Entities may, at the option of a Successful Bidder, include one or more of the following: a restructuring, recapitalization or other form of reorganization of the business and affairs of some or all of the Catalyst Entities as a going concern, together with a plan of compromise or arrangement pursuant to the CCAA (a “**CCAA Plan**”), which compromises the Claims and Interests set out therein; or a sale of all, substantially all, or one or more Parcels of the Catalyst Property, including to a newly formed acquisition entity.

“As Is, Where Is”

(5) The sale of the Catalyst Property or Catalyst Business or investment in the Catalyst Entities will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Monitor, the Catalyst Entities or any of their agents, estates, advisors, professionals or otherwise, except to the extent set forth in the relevant sale or investment agreement with the Successful Bidder.

Free Of Any And All Claims And Interests

(6) In the event of a sale, all of the rights, title and interests of the Catalyst Entities in and to the Catalyst Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the “**Claims and Interests**”) pursuant to approval and vesting orders made by the Canadian Court and the U.S. Bankruptcy Court, and/or free and clear of all Claims and Interests pursuant to section 363 of the U.S. Bankruptcy Code, as applicable. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests shall attach to the net proceeds of the sale of such property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant sale agreement with a Successful Bidder.

Solicitation of Interest

(7) As soon as reasonably practicable after the granting of the SISP Approval Order, the Catalyst Entities, in conjunction with its advisors, including the Financial Advisor and the Monitor, will prepare a list of potential bidders (the “**Known Potential Bidders**”) for the Catalyst Business and Catalyst Property or an investment in the Catalyst Entities. Such list will include both strategic and financial parties who, in the Financial Advisor’s reasonable business judgment, may be interested in acquiring the Catalyst Business and Catalyst Property or in making an investment in the Catalyst Entities. Concurrently, the Catalyst Entities and the Financial Advisor will prepare an initial offering summary (the “**Teaser Letter**”) notifying Known Potential Bidders of the existence of the Solicitation Process and inviting the Known Potential Bidders to express their interest in making an offer to acquire all, substantially all, or one or more Parcels of the Catalyst Property and the Catalyst Business, or to invest in the Catalyst Entities.

(8) As soon as reasonably practicable after the Plan Failure and in any event no later than five (5) Business Days after the Plan Failure, the Catalyst Entities shall cause a notice of the SISP contemplated by these SISP Procedures and such other relevant information which the Catalyst Entities, in consultation with the Financial Advisor and the Monitor, considers appropriate to be published in *The Globe & Mail (National Edition)* and *The Wall Street Journal (National Edition)*. At the same time, the Catalyst Entities, following consultation with the Financial Advisor and the Monitor, shall issue a press release providing the above notice and such other relevant information, with Canada Newswire and a United States equivalent newswire designating dissemination in Canada and major financial centers in the United States, Europe and Asia Pacific.

(9) As soon as reasonably practicable after the Plan Failure and in any event no later than two (2) Business Days after the Plan Failure, the Financial Advisor shall distribute to the Known Potential Bidders the Teaser Letter, as well as a draft form of confidentiality agreement (the “**Confidentiality Agreement**”) that is satisfactory to the

Catalyst Entities, its advisors and the Monitor, and which shall inure to the benefit of any purchaser of the Catalyst Business and Catalyst Property or investor in the Catalyst Entities pursuant to the SISP.

Participation Requirements

(10) Unless otherwise ordered by the Canadian Court, in order to participate in the Solicitation Process, an interested party (a “**Potential Bidder**”) must deliver the following to the Notice Parties **so as to be received by the Notice Parties not later than 5:00 p.m. (Vancouver time) on ●, 2012 (being 14 days after a Plan Failure)**, or such other date or time as the Catalyst Entities in consultation with the Financial Advisor and the Monitor, and with the consent of the Majority Initial Supporting Noteholders may determine appropriate (the “**Potential Bidder Deadline**”):

- (a) an executed Confidentiality Agreement, in form and substance satisfactory to the Catalyst Entities and the Monitor, which shall inure to the benefit of any purchaser of the Catalyst Property or Catalyst Business or any investor in the Catalyst Entities;
- (b) a specific indication of the anticipated sources of capital for such Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit support or enhancement that will allow the Catalyst Entities, the Monitor and the Financial Advisor and each of their respective legal and financial advisors, to make, in their reasonable business or professional judgment, a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate an acquisition of the Catalyst Business or Catalyst Property or an investment in the Catalyst Entities;
- (c) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals; and
- (d) an executed letter acknowledging receipt of a copy of the SISP Approval Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein.

(11) A Potential Bidder will be deemed a “**Qualified Phase 1 Bidder**” if: (i) such Potential Bidder has satisfied all of the requirements described in section (10) above; and (ii) such Potential Bidder's financial information and credit support or enhancement demonstrate to the satisfaction of the Catalyst Entities, in their reasonable business judgment and after consultation with the Financial Advisor and the Monitor, the financial capability of such Potential Bidder to consummate a transaction and that such Potential Bidder is likely (based on availability of financing, experience and other considerations)

to consummate an acquisition of the Catalyst Business or Catalyst Property or an investment in the Catalyst Entities.

(12) The determination as to whether a Potential Bidder is a Qualified Phase 1 Bidder will be made as promptly as practicable but no later than five (5) Business Days after a Potential Bidder delivers all of the materials required above. If it is determined that a Potential Bidder is a Qualified Phase 1 Bidder, the Financial Advisor will promptly notify the Potential Bidder that it is a Qualified Phase 1 Bidder.

(13) If the Catalyst Entities, in accordance with section (11) above, determine that (a) there are no Qualified Phase 1 Bidders, or (b) proceeding with these SISP Procedures is not in the best interests of the Catalyst Entities or their stakeholders, the Catalyst Entities shall (i) forthwith terminate these SISP Procedures, (ii) notify each Qualified Phase 1 Bidder (if any) that these SISP Procedures have been terminated, and (iii) within three (3) Business Days of such termination, file an application with the Canadian Court and the U.S. Bankruptcy Court seeking approval, after notice and hearings, to implement the Stalking Horse Purchase Agreement. If the Catalyst Entities do not timely seek such approval, the Steering Committee, on behalf of the Required Noteholders, may apply to the Canadian Court and the U.S. Bankruptcy Court for such approval.

Due Diligence

(14) The Financial Advisor will provide a confidential information memorandum describing the opportunity to acquire all, substantially all, or one or more Parcels of the Catalyst Property and the Catalyst Business or to invest in the Catalyst Entities to each Qualified Phase 1 Bidder as soon as practicable after the determination that such party is a Qualified Phase 1 Bidder. A copy of the confidential information memorandum shall also be provided to the Steering Committee, the Initial Supporting Noteholders, and Trustee.

(15) Each Qualified Phase 1 Bidder shall have such due diligence access to materials and information relating to the Catalyst Property and the Catalyst Business as the Catalyst Entities and the Financial Advisor, in their collective reasonable business judgment, in consultation with Monitor, deem appropriate.

(16) At the discretion of the Catalyst Entities, due diligence access may include management presentations (as may be scheduled by the Catalyst Entities), access to physical and online data rooms, on-site inspections and such other matters as a Qualified Phase 1 Bidder or Qualified Phase 2 Bidder may reasonably request and as to which the Catalyst Entities, in their reasonable exercise of discretion, may agree. The Catalyst Entities shall not be obligated to furnish any due diligence information after the Phase 2 Bid Deadline.

(17) The Catalyst Entities, the Financial Advisor and the Monitor are not responsible for, and will have no liability with respect to, any information obtained by any Known Potential Bidder, Potential Bidder or Qualified Bidder in connection with the Catalyst

Business or Catalyst Property. The Catalyst Entities, the Financial Advisor and the Monitor and their respective advisors do not make any representations or warranties whatsoever as to the information or the materials provided, except, in the case of the Catalyst Entities, to the extent provided under any definitive sale or investment agreement executed and delivered by a Successful Bidder (or Backup Bidder, as the case may be) and the applicable Catalyst Entities.

PHASE 1

Seeking Non-Binding Indications of Interest by Qualified Phase 1 Bidders

(18) From the date of the SISP Approval Order until the Phase 1 Bid Deadline, the Catalyst Entities and the Financial Advisor (under the supervision of the Monitor and in accordance with the terms of the SISP Approval Order) will solicit non-binding indications of interest from Qualified Phase 1 Bidders to acquire all, substantially all, or one or more Parcels of the Catalyst Property and related Catalyst Business or to invest in the Catalyst Entities (each a “**Non-Binding Indication of Interest**”).

(19) In order to continue to participate in the Solicitation Process, a Qualified Phase 1 Bidder must deliver a Non-Binding Indication of Interest to the Notice Parties **so as to be received by the Notice Parties not later than 5:00 p.m. (Vancouver time) on ●, 2012** (being 35 days after the Potential Bidder Deadline) (the “**Phase 1 Bid Deadline**”).

Non-Binding Indications of Interest by Qualified Phase 1 Bidders

(20) A Non-Binding Indication of Interest will be considered a “**Qualified Non-Binding Indication of Interest**” only if it is submitted by a Qualified Phase 1 Bidder, received on or before the Phase 1 Bid Deadline, and contains the following information:

- (a) An indication of whether the Qualified Phase 1 Bidder is offering to (i) acquire all, substantially all, or one or more Parcels of the Catalyst Property and related Catalyst Business (a “**Sale Proposal**”); or (ii) make an investment in the Catalyst Entities (an “**Investment Proposal**”);
- (b) In the case of a Sale Proposal, it shall identify (i) the purchase price range (including liabilities to be assumed by the Qualified Phase 1 Bidder); (ii) the Parcel(s) included (if the Sale Proposal is a Parcels Sale Proposal), any of the Catalyst Property expected to be excluded, and/or any additional assets desired to be included in the transaction; (iii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the proposed transaction and any related contingencies, as applicable); (iv) the proposed

treatment of employees of the Catalyst Entities; (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals; (vi) additional due diligence required or desired to be conducted prior to the Phase 2 Bid Deadline, if any; (vii) any conditions to closing that the Qualified Phase 1 Bidder may wish to impose; and (viii) any other terms or conditions of the Sale Proposal which the Qualified Phase 1 Bidder believes are material to the transaction;

- (c) In the case of an Investment Proposal, it shall identify: (i) the aggregate amount of the equity and debt investment (including, the sources of such capital, preliminary evidence of the availability of such capital and the steps necessary and associated timing to obtain the capital and consummate the proposed transaction and any related contingencies, as applicable) to be made in the Catalyst Business; (ii) the underlying assumptions regarding the pro forma capital structure (including, the anticipated debt levels, debt service fees, interest and amortization); (iii) the consideration to be allocated to the stakeholders including claims of any secured or unsecured creditors of the Catalyst Entities and the proposed treatment of employees; (iv) the structure and financing of the transaction including all requisite financial assurance; (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction, the anticipated time frame and any anticipated impediments for obtaining such approvals; (vi) additional due diligence required or desired to be conducted prior to the Phase 2 Bid Deadline, if any; (vii) any conditions to closing that the Qualified Phase 1 Bidder may wish to impose; and (viii) any other terms or conditions of the Investment Proposal which the Qualified Phase 1 Bidder believes are material to the transaction; and
- (d) Such other information reasonably requested by the Catalyst Entities or the Financial Advisor, in consultation with the Monitor.

(21) Notwithstanding section (20) hereof, the Catalyst Entities, in consultation with the Financial Advisor and Monitor, may waive compliance with any one or more of the requirements specified herein and deem any non-compliant Non-Binding Indication of Interest to be a Qualified Non-Binding Indication of Interest.

Assessment of Qualified Non-Binding Indications of Interest

(22) The Catalyst Entities, in consultation with the Financial Advisor, the Monitor and the Required Noteholders, will assess any Qualified Non-Binding Indications of Interest received, and will determine (A) whether there is a reasonable prospect that the Catalyst Entities will receive either (a) one or more Superior Cash Offers, or (b) one or more

Superior Alternative Offers that could generate value in excess of the Stalking Horse Bid, that is/are likely to be consummated, and (B) whether proceeding with these SISP Procedures is in the best interests of the Catalyst Entities and its stakeholders. Such assessment will be made as promptly as practicable but no later than five (5) Business Days after the Phase 1 Bid Deadline.

(23) If the Catalyst Entities, in accordance with section (22) above, determine that (a) no Qualified Non-Binding Indication of Interest was received, (b) at least one Qualified Non-Binding Indication of Interest was received but there is no reasonable prospect that any such Qualified Non-Binding Indication of Interests will, individually or in the aggregate, result in one or more Superior Offer(s) that is/are likely to be consummated, or (c) proceeding with these SISP Procedures is not in the best interests of the Catalyst Entities or their stakeholders, the Catalyst Entities shall (i) forthwith terminate these SISP Procedures, (ii) notify each Qualified Phase 1 Bidder (if any) that these SISP Procedures have been terminated, and (iii) within three (3) Business Days of such termination, file an application with the Canadian Court and the U.S. Bankruptcy Court seeking approval, after notice and hearings, to implement the Stalking Horse Purchase Agreement. If the Catalyst Entities do not timely seek such approval, the Steering Committee on behalf of the Required Noteholders, may apply to the Canadian Court and the U.S. Bankruptcy Court for such approval.

(24) If the Catalyst Entities, in accordance with section (22) above, determine that (a) one or more Qualified Non-Binding Indications of Interest were received, (b) there is a reasonable prospect that one or more of such Qualified Non-Binding Indications of Interest will, individually or in the aggregate, result in one or more Superior Offer(s) that is/are likely to be consummated, and (c) proceeding with these SISP Procedures is in the best interests of the Catalyst Entities and their stakeholders, these SISP Procedures will continue and each Qualified Phase 1 Bidder who has submitted a Qualified Non-Binding Indication of Interest that has determined to likely be consummated, shall be deemed to be a “**Qualified Phase 2 Bidder**”.

PHASE 2

Seeking Qualified Bids by Qualified Phase 2 Bidders

(25) In order to continue to participate in the Solicitation Process, a Qualified Phase 2 Bidder must deliver a Qualified Purchase Bid or Qualified Investment Bid to the Notice Parties **so as to be received by the Notice Parties not later than 5:00 p.m. (Vancouver time) on ●, 2012** (being 21 days from Phase 1 Bid Deadline) (the “**Phase 2 Bid Deadline**”).

A. Qualified Purchase Bids

(26) A Sale Proposal submitted by a Qualified Phase 2 Bidder will be considered a “**Qualified Purchase Bid**” only if the Sale Proposal complies with all of the following:

- (a) it includes a letter stating that the Sale Proposal is irrevocable until the earlier of (a) the approval by the Canadian Court and U.S. Bankruptcy Court of a Successful Bid, and (b) 45 days following the Phase 2 Bid Deadline; provided, however, that if such Sale Proposal is selected as the Successful Bid or the Backup Bid, it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid, as the case may be;
- (b) it includes a duly authorized and executed purchase and sale agreement, substantially in the form of the Stalking Horse Purchase Agreement, specifying the purchase price, expressed in U.S. dollars (the “**Purchase Price**”), together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Phase 2 Bidder with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements), as well as copies of such materials marked to show the amendments and modifications to the Stalking Horse Purchase Agreement and such ancillary agreements and the proposed orders to approve the sale by the Courts;
- (c) it includes a clear allocation of the Purchase Price among the U.S. Catalyst Assets and Canadian Catalyst Assets (if the Sale Proposal includes both U.S. Catalyst Assets and Canadian Catalyst Assets), and in each case, a clear allocation of the Purchase Price in respect of the Senior Secured Notes Excluded Assets (if the Sale Proposal includes any Senior Secured Notes Excluded Assets). A Sale Proposal (other than a Parcels Sale Proposal) that does not comply with the foregoing shall not, under any circumstances, constitute a Qualified Bid;
- (d) it does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment. Further, by submitting a Sale Proposal, a Qualified Phase 2 Bidder shall be deemed to waive its right to pursue a substantial contribution claim under section 503 of the U.S. Bankruptcy Code or in any way related to the submissions of its Sale Proposal or these SISP Procedures;
- (e) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Catalyst Entities, in consultation with the Financial Advisor and the Monitor, to allow the Catalyst Entities to make a reasonable determination as to the bidder’s (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Sale Proposal;

- (f) it is not conditioned on (i) the outcome of unperformed due diligence by the bidder and/or (ii) obtaining any financing capital and includes an acknowledgement and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Sale Proposal;
- (g) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Sale Proposal, including the identification of the bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- (h) it includes an acknowledgement and representation that the bidder will assume the obligations of the Catalyst Entities under the executory contracts and unexpired leases proposed to be assigned and, to the extent applicable, in compliance with section 365 of the U.S. Bankruptcy Code (or identifies with particularity which of such contracts and leases the bidder wishes not to assume, or alternatively which additional executory contracts or unexpired leases the bidder wishes to assume), contains full details of the bidder's proposal for the treatment of related cure costs; and it identifies with particularity any executory contract or unexpired leases the assumption and assignment of which is a condition to closing;
- (i) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Sale Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by the Catalyst Entities, the Financial Advisor or the Monitor, or any of their respective advisors, except as expressly stated in the purchase and sale agreement submitted by it; (iii) is a sophisticated party capable of making its own assessments in respect of making its Sale Proposal; and (iv) has had the benefit of independent legal advice in connection with its Sale Proposal;
- (j) it includes evidence, in form and substance reasonably satisfactory to the Catalyst Entities, of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Sale Proposal;
- (k) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of

PricewaterhouseCoopers Inc., Monitor, in trust, in an amount equal to (i) ten percent (10%) of the cash component of the Purchase Price of a Parcels Sale Proposal; or (ii) if it is not a Parcels Sale Proposal, five percent (5%) of the cash component of the Purchase Price; to be held and dealt with in accordance with these SISP Procedures;

- (l) it (i) contains full details of the proposed number of employees of the Catalyst Entities who will become employees of the bidder and the proposed terms and conditions of employment to be offered to those employees, and (ii) identifies any pension liabilities and assets related to any employees currently covered under any registered pension or retirement income plan who will become employees of the bidder that the bidder intends to assume or purchase;
- (m) if the Qualified Phase 2 Bidder is an entity newly formed for the purpose of the transaction, the bid shall contain an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Catalyst Entities, that names the Catalyst Entities as third party beneficiaries of any such commitment letter with recourse against such parent entity or sponsor;
- (n) it includes evidence, in form and substance reasonably satisfactory to the Catalyst Entities, of compliance or anticipated compliance with any and all applicable Canadian and U.S. regulatory approvals (including, if applicable, anti-trust regulatory approval), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (o) it includes evidence of the bidder's ability to comply with Section 11.3 of the CCAA and section 365 of the U.S. Bankruptcy Code (to the extent applicable), which includes providing adequate assurance of the bidder's ability to perform the contracts and leases proposed in its Sale Proposal to be assumed by the bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases;
- (p) it contains other information reasonably requested by the Catalyst Entities or the Financial Advisor, in consultation with the Monitor;
- (q) it is received by no later than the Phase 2 Bid Deadline; and
- (r) is determined by the Catalyst Entities, in consultation with the Financial Advisor, the Monitor and the Required Noteholders (as applicable), to be (individually or in the aggregate with other Qualified Purchase Bids) a Superior Offer.

B. Qualified Investment Bids

(27) An Investment Proposal submitted by a Qualified Phase 2 Bidder will be considered a “**Qualified Investment Bid**” only if the Investment Proposal complies with all of the following:

- (a) it includes duly authorized and executed binding definitive documentation setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and debt investment and details regarding the proposed equity and debt structure of the Catalyst Entities following completion of the proposed transaction (a “**Definitive Investment Agreement**”);
- (b) it includes a letter stating that the Investment Proposal is irrevocable until the earlier of (a) approval by the Courts of a Successful Bid, and (b) 45 days following the Phase 2 Bid Deadline; provided, however, that if such Investment Proposal is selected as the Successful Bid or Backup Bid, it shall remain irrevocable until the earlier of (i) the closing of the Successful Bid or the Backup Bid, as the case may be, and (ii) the outside date stipulated in the Successful Bid or the Backup Bid, as applicable;
- (c) it does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment. Further, by submitting an Investment Proposal, the Qualified Phase 2 Bidder shall be deemed to waive its right to pursue a substantial contribution claim under section 503 of the U.S. Bankruptcy Code or in any way related to the submissions of its Investment Proposal or these SISP Procedures;
- (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Catalyst Entities, in consultation with the Financial Advisor and Monitor, to allow the Catalyst Entities to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transaction contemplated by the Investment Proposal;
- (e) it is not conditioned on (i) the outcome of unperformed due diligence by the bidder and/or (ii) obtaining any financing capital and includes an acknowledgement and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its bid;
- (f) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Investment Proposal, including the identification of the bidder's direct and indirect owners and their principals, and the complete terms of any such participation;

- (g) it includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its Investment Proposal; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the Catalyst Entities, the Financial Advisor or the Monitor, or any of their respective advisors, or the completeness of any information provided in connection therewith except as expressly stated in the Definitive Investment Agreement; (iii) is a sophisticated party capable of making its own assessments in respect of making its Investment Proposal; and (iv) has had the benefit of independent legal advice in connection with its Investment Proposal;
- (h) it includes evidence, in form and substance reasonably satisfactory to the Catalyst Entities, of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Investment Proposal;
- (i) it is accompanied by a Deposit in the form of a wire transfer (to a trust account specified by the Monitor), or such other form acceptable to the Monitor, payable to the order of PricewaterhouseCoopers Inc., Monitor, in trust, in an amount equal to five percent (5%) of the total investment to be held and dealt with in accordance with these SISP Procedures;
- (j) if the Qualified Phase 2 Bidder is an entity newly formed for the purpose of the transaction, the Investment Proposal shall contain an equity or debt commitment letter from the parent entity or sponsor, and satisfactory to the Catalyst Entities, that names the Catalyst Entities as third party beneficiaries of any such commitment letter with recourse against such parent entity or sponsor;
- (k) it includes evidence, in form and substance reasonably satisfactory to the Catalyst Entities, of compliance or anticipated compliance with any and all applicable Canadian and U.S. regulatory approvals (including, if applicable, anti-trust regulatory approval), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (l) it contains other information reasonably requested by the Catalyst Entities or the Financial Advisor, in consultation with the Monitor;
- (m) it is received by no later than the Phase 2 Bid Deadline; and
- (n) is determined by the Catalyst Entities, in consultation with the Financial Advisor, the Monitor and the Required Noteholders (as applicable), to be a Superior Offer.

(28) Qualified Purchase Bids and Qualified Investment Bids shall hereinafter be referred to as “**Qualified Bids**” and each a “**Qualified Bid**” and each bidder who has submitted a Qualified Bid shall hereinafter be referred to as a “**Qualified Bidder**”. The Stalking Horse Bid shall be deemed to be a Qualified Bid and the Stalking Horse Bidder shall be deemed to be a Qualified Bidder for all purposes of these SISP Procedures including for the purposes of the Auction. A combination of Parcels Sale Proposals shall be considered a Qualified Bid if, in the aggregate, they constitute a Superior Offer.

(29) Notwithstanding sections (26) and (27) hereof, the Catalyst Entities, in consultation with the Financial Advisor and the Monitor, may waive compliance with any one or more of the Qualified Bid requirements specified herein, and deem such non-compliant bids to be Qualified Purchase Bids or Qualified Investment Bids, as the case may be; provided, however, that any non-compliance with the requirements set out in sections (26)(b), (26)(e), (26)(f) and (26)(r) hereof, can only be waived by the Catalyst Entities without the consent of the Required Noteholders if such non-compliance is cured within two (2) Business Days after the Phase 2 Bid Deadline.

Stalking Horse Bid

(30) No deposit is required in connection with the Stalking Horse Bid.

(31) The purchase price for the Catalyst Property and Catalyst Business under the Stalking Horse Bid includes: (i) a non-cash credit bid in the amount specified in the Stalking Horse Bid resulting in that portion of the Senior Secured Note Claims Amount being satisfied in exchange for the acquisition of such property and business on behalf of the Holders; and (ii) consideration in an amount sufficient to (a) pay in full in cash on closing, or through the assumption of liabilities, any claims ranking senior in priority to the Senior Secured Notes that are or would be payable in the CCAA proceedings or Chapter 15 proceedings with respect to the Catalyst Entities or Catalyst Property subject to the Stalking Horse Bid, including the DIP Claims Amount and other claims secured by the court ordered charges granted in the Amended and Restated Initial Order or any other order of the Canadian Court in the CCAA proceedings; (b) purchase any assets of the Catalyst Entities to be acquired under the Stalking Horse Bid that are Senior Secured Notes Excluded Assets; and (c) pay any amounts payable which are determined to have been incurred by the Catalyst Entities entirely (x) after the date of the Amended and Restated Initial Order and before the closing of a transaction hereunder; and (y) in compliance with the Amended and Restated Initial Order and other Orders made by the Canadian Court in the CCAA proceedings with respect to the Catalyst Entities; provided, however, that the cash component of the purchase price may be funded from cash of the Catalyst Entities available as at the time of closing of the Stalking Horse Bid that constitutes cash collateral of the Senior Secured Notes, to the extent such cash is not subject to any claims ranking senior in priority to the Senior Secured Notes that are not being satisfied in full on closing of the Stalking Horse Bid.

No Qualified Bids

(32) The Catalyst Entities, in consultation with the Financial Advisor and the Monitor, will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with these SISP Procedures is in the best interests of the Catalyst Entities and their stakeholders. Such assessments will be made as promptly as practicable but no later than five (5) Business Days after the Phase 2 Bid Deadline.

(33) If the Catalyst Entities, in accordance with section (32) above, determines that (a) no Qualified Bid was received, (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated, or (c) proceeding with these SISP Procedures is not in the best interests of the Catalyst Entities or their stakeholders; the Catalyst Entities shall (i) forthwith terminate these SISP Procedures, (ii) notify each Qualified Bidder (if any) that these SISP Procedures have been terminated, and (iii) within three (3) Business Days of such termination, file an application with the Canadian Court and the U.S. Bankruptcy Court seeking approval, after notice and hearings, to implement the Stalking Horse Purchase Agreement. If the Catalyst Entities do not timely seek such approval, the Steering Committee, on behalf of the Required Noteholders, may apply to the Canadian Court and the U.S. Bankruptcy Court for such approval.

(34) If the Catalyst Entities, in accordance with section (32) above, determine that (a) one or more Qualified Bids were received, (b) it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, and (c) proceeding with these SISP Procedures is in the best interests of the Catalyst Entities and their stakeholders, these SISP Procedures will not be terminated, the Auction will be held, and the Financial Advisor will promptly notify all Qualified Bidders that they are entitled to participate in the Auction.

Auction

(35) If, in accordance with section (34) above, the Auction is to be held, the Catalyst Entities will conduct an auction (the "**Auction**"), at 9:30 a.m. (Vancouver time) on ●, 2012 (being three (3) Business Days after the Phase 2 Bid Deadline) at the offices of PricewaterhouseCoopers Inc., 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7, or such other location as shall be timely communicated to all entities entitled to attend at the Auction, which Auction may be adjourned by the Catalyst Entities, after consultation with the Financial Advisor and the Monitor and with the consent of the Required Noteholders. The Auction shall run in accordance with the following procedures:

- (a) at least three (3) Business Days prior to the Auction, each Qualified Bidder must inform the Financial Advisor whether it intends to

participate in the Auction (the parties who so inform the Catalyst Entities, the “**Auction Bidders**”);

- (b) at least two (2) Business Days prior to the Auction, the Financial Advisor will provide copies of the Qualified Bid(s) which the Catalyst Entities (after consultation with the Financial Advisor and Monitor), believes is (individually or in the aggregate) the highest or otherwise best Qualified Bid(s) (the “**Starting Bid**”) to all Auction Bidders;
- (c) only representatives of the Auction Bidders, the Catalyst Entities, the Financial Advisor, the Monitor, the Trustee, the Collateral Trustee, the Steering Group, the Initial Supporting Noteholders, and such other persons as permitted by the Catalyst Entities (and the advisors to each of the foregoing entities) are entitled to attend the Auction in person;
- (d) at the commencement of the Auction each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale or investment;
- (e) only the Auction Bidders will be entitled to make any subsequent bids at the Auction; provided, however, that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction, such Auction Bidder’s Qualified Bid, as applicable, shall nevertheless remain fully enforceable against such Auction Bidder if it is selected as the Successful Bid or the Backup Bid at the conclusion of the Auction;
- (f) all Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders at the Auction and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;
- (g) all Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- (h) the Catalyst Entities, after consultation with the Financial Advisor and the Monitor and, if the Stalking Horse Bidder is not participating in the Auction, the Required Noteholders, may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make Subsequent Bids, requirements to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with these SISP Procedures, general practice in CCAA proceedings, the U.S.

Bankruptcy Code, or any order of the Courts made in the CCAA proceedings or Chapter 15 proceedings with respect to the Catalyst Entities, and (ii) disclosed to each Auction Bidder at the Auction;

- (i) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (a “**Subsequent Bid**”) that the Catalyst Entities determine, after consultation with the Financial Advisor and the Monitor, is (A) for the first round, a higher or otherwise better offer than the Starting Bid, and (B) for subsequent rounds, a higher or otherwise better offer than the Leading Bid; in each case by at least the Minimum Incremental Overbid. Each bid at the Auction shall provide net value to the Catalyst Entities’ estate of at least U.S. \$● million (the “**Minimum Incremental Overbid**”) over the Starting Bid or the Leading Bid, as the case may be; provided, however, that the Catalyst Entities, after consultation with the Financial Advisor and the Monitor, shall retain the right to modify the increment requirements at the Auction, and provided, further that the Catalyst Entities, in determining the net value of any incremental bid to the Catalyst Entities’ estate shall not be limited to evaluating the incremental dollar value of such bid and may consider other factors as identified in the “Selection Criteria” section of these SISP Procedures. All cash increments shall be allocated between the Canadian Catalyst Assets and U.S. Catalyst Assets in the same proportion as was allocated in the Starting Bid. After the first round of bidding and between each subsequent round of bidding, the Catalyst Entities shall, after consultation with the Financial Advisor and the Monitor, announce the bid (including the value and material terms thereof) that it believes to be the highest or otherwise best offer (the “**Leading Bid**”). A round of bidding will conclude after each Auction Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;
- (j) to the extent not previously provided (which shall be determined by the Catalyst Entities, in consultation with the Financial Advisor and the Monitor), an Auction Bidder submitting a Subsequent Bid must submit, as part of its Subsequent Bid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Catalyst Entities, in consultation with the Financial Advisor and the Monitor), demonstrating such Auction Bidder’s ability to close the transaction proposed by the Subsequent Bid. For greater certainty, if the Stalking Horse Bidder submits a Subsequent Bid, this paragraph shall only apply to the Stalking Horse Bidder if the cash portion of the Purchase Price in such Subsequent Bid is in excess of the cash portion of the Purchase Price in the Stalking Horse Bid;

- (k) the Catalyst Entities reserve the right, in their reasonable business judgment after consultation with the Financial Advisor and the Monitor, to make one or more adjournments in the Auction of no more than 24 hours each, to among other things (i) facilitate discussions between the Catalyst Entities and the Auction Bidders; (ii) allow the individual Auction Bidders to consider how they wish to proceed; (iii) consider and determine the current highest and best offer at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Catalyst Entities with such additional evidence as the Catalyst Entities, in their reasonable business judgment, may require that the Auction Bidder (including, as may be applicable, the Stalking Horse Bidder) has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing overbid amount;
- (l) the Stalking Horse Bidder shall be permitted, in its sole discretion, to submit Subsequent Bids, provided, however, that such Subsequent Bids are made in accordance with these SISP Procedures. No other creditor is entitled to credit bid, in whole or in part;
- (m) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed;
- (n) the Auction shall be closed within 5 Business Days of the start of the Auction unless extended by the Catalyst Entities with the consent of the Required Noteholders; and
- (o) no bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

Selection Criteria

(36) In selecting the Starting Bid, each Leading Bid, the Successful Bid and the Backup Bid, the Catalyst Entities, in consultation with the Financial Advisor and the Monitor, will review each Qualified Bid, it being understood that as between a Superior Cash Offer and a Superior Alternative Offer, the Superior Cash Offer shall be deemed to be the highest and best offer, unless otherwise agreed to by the Catalyst Entities and the Financial Advisor, after consultation with the Monitor; provided however that in determining the highest and best offer among Qualified Bids, a single Qualified Bid for all or substantially all of the Catalyst Property generally will be viewed as preferable to a combination of Qualified Bids consisting of multiple Parcels Sale Proposals notwithstanding the total consideration provided therein.

(37) Evaluation criteria with respect to a Sale Proposal may include, but are not limited to items such as: (a) the purchase price and the net value (including assumed liabilities and other obligations to be performed or assumed by the bidder) provided by such bid;

(b) the claims likely to be created by such bid in relation to other bids; (c) the counterparties to the transaction; (d) the proposed revisions to the Stalking Horse Purchase Agreement and the terms of the transaction documents; (e) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction); (f) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the Catalyst Property; (g) the estimated number of employees of the Catalyst Entities that will be offered post closing employment by the bidder and any proposed measures associated with their continued employment; (h) the treatment of pension liabilities and assets related to any registered pension or retirement income plan of the Catalyst Entities; (i) the transition services required from the Catalyst Entities post-closing and any related restructuring costs; and (j) the likelihood and timing of consummating the transaction.

(38) Evaluation criteria with respect to an Investment Proposal may include, but are not limited to items such as: (a) the amount of equity and debt investment and the proposed sources and uses of such capital; (b) the debt to equity structure post-closing; (c) the counterparties to the transaction; (d) the terms of the transaction documents; (e) other factors affecting the speed, certainty and value of the transaction; (f) planned treatment of stakeholders; and (g) the likelihood and timing of consummating the transaction.

(39) Upon the conclusion of the bidding the Auction shall be closed, and the Catalyst Entities, after consultation with the Financial Advisor and Monitor, will identify the highest or otherwise best Qualified Bid received (such offer, the “**Successful Bid**”) and the next highest or otherwise best Qualified Bid received (such offer, the “**Backup Bid**”). The Qualified Bidders(s) who made the Successful Bid is the “**Successful Bidder**” and the Qualified Bidder(s) who made the Backup Bid is the “**Backup Bidder**”). The Catalyst Entities will notify the Qualified Bidders of the identities of the Successful Bidder and the Backup Bidder. If the Stalking Horse Bidder’s final Qualified Bid is deemed to be the highest and best at the conclusion of the Auction or the next highest and best offer at the conclusion of the Auction, the Stalking Horse Bidder’s final Qualified Bid will be the Successful Bid or the Backup Bid, as the case may be.

(40) The Catalyst Entities shall finalize a definitive agreement in respect of the Successful Bid and the Backup Bid, if any, conditional upon approval by the Canadian Court and the U.S. Bankruptcy Court.

(41) The Backup Bid shall remain open until the consummation of the transaction contemplated by the Successful Bid (the “**Backup Bid Expiration Date**”).

(42) All Qualified Bids (other than the Successful Bid and the Backup Bid) shall be deemed rejected by the Catalyst Entities on and as of the later of the date of approval of the Successful Bid and Backup Bid by the Canadian Court and the U.S. Bankruptcy Court.

Approval Hearings

(43) Within three (3) Business Days of the conclusion of the Auction, the Catalyst Entities shall seek a hearing to be held on a date to be scheduled by the Canadian Court (the “**Canadian Approval Hearing**”) to authorize the Catalyst Entities to enter into an agreement with respect to the Successful Bid, and in the event that the Successful Bid does not close for any reason, to enter into an agreement with respect to the Backup Bid. The Canadian Approval Hearing may be adjourned or rescheduled by the Catalyst Entities, after consultation with the Monitor and the Initial Supporting Noteholders and with the consent of the Steering Committee, without further notice, by an announcement of the adjourned date at the Canadian Approval Hearing.

(44) As soon as reasonably practicable after entry of the SISP Approval Order by the Canadian Court and in any event no later than five (5) Business Days thereafter, the Catalyst Entities shall (a) seek a hearing to be held on a date scheduled by the U.S. Bankruptcy Court granting approval in the Chapter 15 proceeding of the SISP and the SISP Procedures and (b) seek a hearing to be held on a date scheduled by the U.S. Bankruptcy Court (the “**U.S. Approval Hearing**”) as soon as reasonably practicable after the conclusion of the Auction for authorization at the U.S. Approval Hearing to: (a) enter into an agreement with respect to the Stalking Horse Bid, or (b) enter into an agreement with respect to the Successful Bid, and in the event that the Successful Bid does not close for any reason, to enter into an agreement with respect to the Backup Bid. The U.S. Approval Hearing may be adjourned or rescheduled by the Catalyst Entities, after consultation with the Monitor and the Initial Supporting Noteholders and with the consent of the Steering Committee, without further notice, by an announcement of the adjourned date at the U.S. Approval Hearing. If practicable, the Catalyst Entities shall seek to have the Canadian Approval Hearing and the U.S. Approval Hearing conducted simultaneously on the same date by videoconference between the Courts in a manner such that both the Canadian Court and the U.S. Court 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.

(45) If following approval of the Successful Bid transaction by the Canadian Court and U.S. Bankruptcy Court, the Successful Bidder fails to consummate the transaction for any reason, then the Backup Bid, if there is one, will be deemed to be the Successful Bid hereunder and the Catalyst Entities shall effectuate a transaction with the Backup Bidder subject to the terms of the Backup Bid, without further order of the Canadian Court or the U.S. Bankruptcy Court.

Deposits

(46) All Deposits shall be retained by the Monitor and invested in an interest bearing trust account in a Schedule I Bank in Canada. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved pursuant to the Approval Hearings shall be released by the Monitor to the Catalyst Entities and applied to the purchase price to be paid or investment amount to be made by the

Successful Bidder upon closing of the Successful Bid. The Deposit (plus accrued interest) paid by the Backup Bidder shall be retained by the Monitor until the Backup Bid Expiration Date or, if the Backup Bid becomes the Successful Bid, shall be released by the Monitor to the Catalyst Entities and applied to the purchase price to be paid or investment amount to be made by the Backup Bidder upon closing of the Backup Bid. The Deposits (plus applicable interest) of all Phase 2 Bidders not selected as the Successful Bidder or Backup Bidder shall be returned to such bidders within five (5) Business Days of the later of the date upon which the Successful Bid and any Backup Bid is approved by the Canadian Court and the U.S. Bankruptcy Court. If the Auction does not take place or these SISP Procedures are terminated in accordance with the provisions hereof, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which it is determined that the Auction will not take place or these SISP Procedures are terminated, as applicable.

(47) If an entity selected as the Successful Bidder or Backup Bidder breaches its obligations to close subsequent to the Auction, it shall forfeit its Deposit to the Catalyst Entities; provided, however, that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Catalyst Entities has against such breaching entity.

Approvals

(48) For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA, the U.S. Bankruptcy Code or any other statute or are otherwise required at law in order to implement a Successful Bid or Backup Bid, as the case may be.

Notice Parties

(49) As used herein, the “**Notice Parties**” are, collectively (a) the Catalyst Entities, (b) the Financial Advisor, (c) the Monitor, (d) the Steering Committee, (e) the Initial Supporting Noteholders, and (f) the Trustee. The addresses to be used for delivering documents to the Notice Parties are set out in Schedule “C” hereto. Any notice to the Required Noteholders or the Majority Initial Supporting Noteholders shall be given by providing notice to the same parties that are required to be notified for purposes of providing notice to the Initial Supporting Noteholders. A bid shall be delivered to all Notice Parties at the same time by electronic mail, personal delivery or courier. Interested bidders requesting information about the qualification process, including a form of asset purchase agreement, and information in connection with their due diligence, should contact _____, Perella Weinberg Partners, [address], [contact phone number and email address].

Reservation of Rights

(50) The Catalyst Entities, after consultation with their advisors: (a) may reject, at any time any bid (other than the Stalking Horse Bid) that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the CCAA, U.S. Bankruptcy Code, these SISP Procedures or any orders of the Court applicable to one or more the Catalyst Entities, or (iii) contrary to the best interests of the Catalyst Entities, their estates, and stakeholders as determined by the Catalyst Entities; (b) in accordance with the terms hereof, including section (53), may impose additional terms and conditions and otherwise seek to modify the SISP Procedures at any time in order to maximize the results obtained; (c) in accordance with the terms hereof, may accept bids not in conformity with these SISP Procedures to the extent that the Catalyst Entities determine, in their reasonable business judgment, that doing so would benefit the Catalyst Entities, their estates, and stakeholders; and (d) with the prior consent of the Majority Initial Supporting Noteholders, extend the Potential Bidder Deadline, Phase 1 Bid Deadline, Phase 2 Bid Deadline and the date of the Auction, provided that the Phase 2 Bid Deadline shall not be extended beyond •, 2012 (being 24 days after the scheduled Phase 2 Bid Deadline, for a total of 45 days after the Phase 1 Bid Deadline); provided, however, that if the Stalking Horse Bidder submits the only Qualified Bid, the terms provided in clause (a) shall not be operative.

(51) At or before the Approval Hearings, the Catalyst Entities may impose such other terms and conditions as the Catalyst Entities may determine to be in the best interests of their estates and their stakeholders that are not inconsistent with any of the procedures in these SISP Procedures.

(52) These SISP Procedures do not, and shall not be interpreted to, create any contractual or other legal relationship between any Catalyst Entity and any Known Potential Bidder, Potential Bidder, Qualified Potential Bidder, Qualified Phase 1 Bidder, Qualified Phase 2 Bidder, Qualified Bidder, Auction Bidder, Successful Bidder or Backup Bidder, other than as specifically set forth in definitive agreements that may be executed by the Catalyst Entities.

No Amendment

(53) There shall be no amendments to this SISP, including, for greater certainty the process and procedures set out herein, without the prior written consent of the Monitor and the Majority Initial Supporting Noteholders unless otherwise ordered by the Canadian Court and the U.S. Bankruptcy Court upon application and appropriate notice.

Further Orders

(54) At any time during these SISP Procedures, the Catalyst Entities may, following consultation with the Monitor, apply to the Canadian Court for advice and directions with respect to the discharge of its powers and duties hereunder.

Schedule "A"

LIST OF ADDITIONAL PETITIONERS

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

Schedule “B”

SENIOR SECURED NOTES EXCLUDED ASSETS

Schedule "C"

ADDRESSES FOR NOTICE PARTIES

(a) To the Catalyst Entities at:

Catalyst Paper Corporation

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

Attention: David Adderley, General Counsel
Email: david.adderley@catalystpaper.com

Blake, Cassels & Graydon LLP

595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver BC V7X 1L3

Attention: Bill Kaplan, Q.C. & Peter Rubin
Email: bill.kaplan@blakes.com
peter.rubin@blakes.com

Skadden, Arps, Slate, Meagher & Flom LLP

222 Bay Street, Suite 1750
P.O. Box 258
Toronto, Ontario M5K 1J5

Attention: Christopher W. Morgan, Esq.
Email: Christopher.morgan@skadden.com

Skadden, Arps, Slate, Meagher & Flom LLP

300 South Grand Avenue
Suite 3400
Los Angeles, CA 90071

Attention: Van C. Durrer II, Esq.
Email: van.durrer@skadden.com

(b) To the Financial Advisor at:

Perella Weinberg Partners

[Address]

Attention:
Email:

(c) To the Monitor at:

PricewaterhouseCoopers Inc.

250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7

Attention: Michael J. Vermette, Neil Bunker
Email: michael.j.vermette@ca.pwc.com, neil.p.bunker@ca.pwc.com

Fasken Martineau Dumoulin LLP

2900-550 Burrard Street
Vancouver, BC V6C 0A3

Attention: John Grieve and Kibben Jackson
Email: jgrieve@fasken.com; kjackson@fasken.com

(d) To the Steering Committee at:

Fraser Milner Casgrain LLP

77 King Street West
Royal Trust Tower
Toronto, ON M5 K0A1

Attention: Ryan C. Jacobs and John R. Sandrelli
Email: ryan.jacobs@fmc-law.com and john.sandrelli@fmc-law.com

Akin Gump Strauss Hauer & Feld LLP

One Bryant Park
New York, NY 10036

Attention: Michael S. Stamer and Stephen B. Kuhn
Email: mstamer@akingump.com and skuhn@akingump.com

(e) To the Initial Supporting Noteholders at:

Goodmans LLP

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

Attention: Robert Chadwick and Melaney Wagner
Email: rchadwick@goodmans.ca and mwagner@goodmans.ca

Fraser Milner Casgrain LLP

77 King Street West
Royal Trust Tower

Toronto, ON M5 K0A1

Attention: Ryan C. Jacobs and John R. Sandrelli

Email: ryan.jacobs@fmc-law.com and john.sandrelli@fmc-law.com

Akin Gump Strauss Hauer & Feld LLP

One Bryant Park

New York, NY 10036

Attention: Michael S. Stamer and Stephen B. Kuhn

Email: mstamer@akingump.com and skuhn@akingump.com

(f) To the Trustee at:

Wilmington Trust, National Association

Rodney Square North

1100 North Market Street

Wilmington, Delaware 19890-2301

Kelley Drye & Warren LLP

101 Park Avenue

New York, NY 10178

Attention: Benjamin D. Feder and Pamela Bruzzese-Szczygiel

Email: bfeder@kelleydrye.com and pbruzzese-szczygiel@kelleydrye.com

File a Motion:12-10221-PJW Catalyst Paper Corporation

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: CLAIMS, MEGA,
LEAD**U.S. Bankruptcy Court****District of Delaware**

Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 3/27/2012 at 7:54 PM EDT and filed on 3/27/2012

Case Name: Catalyst Paper Corporation**Case Number:** 12-10221-PJW**Document Number:** 99**Docket Text:**

Motion to Approve *Motion Of Debtors For Order (I) Enforcing Canadian Court Order In Connection With Sale And Investor Solicitation Procedures And (II) Approving Protocol For A Joint Cross-Border Hearing* Filed by Catalyst Paper Corporation. Hearing scheduled for 4/17/2012 at 09:30 AM at US Bankruptcy Court, 824 Market St., 6th Fl., Courtroom #2, Wilmington, Delaware. Objections due by 4/10/2012. (Attachments: # (1) Notice # (2) Exhibit A - Proposed Order) (Durrer, Van)

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

Document description:Main Document**Original filename:**H:\temp\convert\1 - SISP Motion.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=3/27/2012] [FileNumber=10664226-0]
] [2842f84f482f8f840807fba4191d8de5df9984e6efc063a0de7905fb85fdca79ea6
ddf94c9be617699e75a70525c6ccab135629ce2c2042b9ef63611c70598e6]]

Document description:Notice**Original filename:**2 - Notice.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=3/27/2012] [FileNumber=10664226-1]
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Document description:Exhibit A - Proposed Order**Original filename:**3 - SISP Motion Ex A - Order.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=3/27/2012] [FileNumber=10664226-2]
] [03ea04adfdb51e20f7b1aaa564c8ef7c65bf2be6ba98a61dc09a1b9fdb9b7f0fc2
0f1728da45eef0c87ed272a61c92ed97e1546e0ed488f055fab5644a2a5cb]]

12-10221-PJW Notice will be electronically mailed to: