

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

	X	
In re:	:	Chapter 15
	:	
CATALYST PAPER CORP., <u>et al.</u> ,	:	Case No. 12-10221 (PJW)
	:	
Debtors. ¹	:	Jointly Administered
	:	Related Docket No. 99, 100, 105, 106, 107, 108
	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 the 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. 100]; and upon further consideration of any objections and replies; and any objections to the Motion that have not been withdrawn or resolved having been overruled; 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 a date and time to be determined by the Debtors in accordance with the Bidding Procedures, the Canadian SISP Order, and the instant Order, at the offices of PricewaterhouseCoopers Inc., 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7, and the date, time and location shall be timely communicated to all entities entitled to attend 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, CPC shall submit a list of proposed dates for the Joint Approval Hearing to the judge's chambers of both this Court and the Canadian Court, consistent with local practice. This Court and the Canadian Court may communicate and otherwise coordinate, pursuant to the terms of the Joint Hearing Protocol set forth above, regarding the selection of a hearing date. The date, time and location of the Joint Approval Hearing to consider the merits of the Sale Motion, the objection deadline for objections to the Sale Motion, and the reply deadline to any objections shall be timely communicated to all entities entitled to attend the Auction. Each of the established 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.

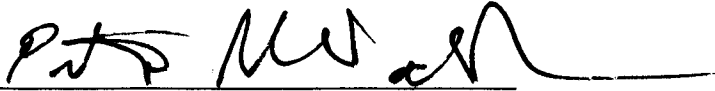
11. In the event there is a conflict between this Order and the Motion or the Bidding Procedures, this Order shall control and govern.

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 17 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, a sale and investor solicitation process (the “**SISP**”) and the SISP procedures set forth herein (the “**SISP Procedures**”) On April 2, 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 acquire substantially all of the assets of the Catalyst Entities on behalf of the Holders of the Senior Secured Notes (the “**Stalking Horse Bid**”).

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)(hh);

"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)(t);

“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)(pp);

“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)(pp);

“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; (v) the Catalyst Property associated with the Elk Falls Pulp and Paper Mill, located near Campbell River, British Columbia; or (vi) the PREI Interest;

"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);

"PREI Interest" means the interest of Catalyst Paper Energy Holdings Inc. in Powell River Energy Inc. ("PREI") and the Powell River Energy Limited Partnership ("PRELP") including:

Article 150,001 Common Shares in PREI;

Article 2 Long term debt of 20.8 million owing by PREI maturing December 21, 2021 under subordinated promissory notes issued by PREI;

Article 3A 49.95% limited partnership interest in Powell River Energy Limited Partnership under limited partnership agreement between 3795669 Canada Limited, as general partner and Pacific Paper Inc. (predecessor to Catalyst Paper Energy Holdings Inc.) and Powell River Energy Trust, as limited partners;

which interest may be subject to certain contractual rights of first refusal ("RFR") in favour of Powell River Energy Trust pursuant to a Limited Partnership Agreement related to PRELP and a Unanimous Shareholder Agreement related to PREI which RFR process, if applicable, may not commence until 180 days after January 31, 2012.

"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 (23);

“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)(ii);
- “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)(pp);
- “Successful Bid”** has the meaning ascribed thereto in section (39);
- “Successful Bidder”** has the meaning ascribed thereto in section (39);
- “Superior Alternative Offer”** means (1) with respect to all assets other than the PREI Interest 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; or (ii) with respect to the PREI Interest 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 Catalyst Entities, in consultation with the Financial Advisors, the Monitor and the Initial Supporting 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:

- (b) 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;
- (c) 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;

- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) 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;
- (i) 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;

- (j) 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;
- (k) 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;
- (l) 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;
- (m) 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;
- (n) 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;
- (o) 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;

- (p) 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;
- (q) it contains other information reasonably requested by the Catalyst Entities or the Financial Advisor, in consultation with the Monitor;
- (r) it is received by no later than the Phase 2 Bid Deadline; and
- (s) 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.

(A)

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:

- (t) 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**");
- (u) 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;

- (v) 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;
- (w) 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;
- (x) 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;
- (y) 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;
- (z) 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;
- (aa) 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;

- (bb) 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;
- (cc) 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;
- (dd) 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;
- (ee) it contains other information reasonably requested by the Catalyst Entities or the Financial Advisor, in consultation with the Monitor;
- (ff) it is received by no later than the Phase 2 Bid Deadline; and
- (gg) 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 Parcels Sale Proposal may be considered a Qualified Bid if, in Catalyst’s opinion (in consultation with the Financial Advisors and the Monitor), it may generate more value for the subject Parcel even if there are no Qualified Bids in respect of any of the other Parcels.

(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:

- (hh) 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");
- (ii) 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), believe is (individually or in the aggregate) the highest or otherwise best Qualified Bid(s) (the "Starting Bid") to all Auction Bidders;
- (jj) 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;
- (kk) 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;

- (ll) 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;
- (mm) 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;
- (nn) all Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- (oo) 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;
- (pp) 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;

- (qq) 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;
- (rr) 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;
- (ss) 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;

- (tt) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed;
- (uu) 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
- (vv) no bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.

(A)

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(s) received (such offer(s), the “**Successful Bid(s)**”) and the next highest or otherwise best Qualified Bid(s) received (such offer(s), the “**Backup Bid(s)**”). The Qualified Bidders(s) who made the Successful Bid(s) is/are the “**Successful Bidder(s)**” and the Qualified Bidder(s) who made the Backup Bid(s) is/are the “**Backup Bidder(s)**”). The Catalyst Entities will notify the Qualified Bidders of the identities of the Successful Bidder(s) and the Backup Bidder(s). 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 one or more definitive agreement(s), as necessary, 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(s) shall remain open until the consummation of the transaction contemplated by the Successful Bid(s) (the “**Backup Bid Expiration Date**”).

(42) All Qualified Bids (other than the Successful Bid(s) and the Backup Bid(s)) 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 one or more agreements with respect to the Successful Bid(s), and in the event that the Successful Bid(s) does/do not close for any reason, to enter into one or more agreements with respect to the Backup Bid(s). 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 one or more agreements with respect to the Successful Bid(s), and in the event that the Successful Bid(s) does/do not close for any reason, to enter into one or more agreements with respect to the Backup Bid(s). 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(s) transaction(s) by the Canadian Court and U.S. Bankruptcy Court, any Successful Bidder fails to consummate the transaction for any reason, then the applicable Backup Bid, if there is one, will be deemed to be a 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