



This is the 3rd Affidavit of
R.G. McCaig in this case and was
made on April 13, 2012

No. S-120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

- AND -

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

- AND -

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

- AND -

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

**AFFIDAVIT OF RONALD GARY McCAIG
(sworn April 13, 2012)**

I, Ronald Gary McCaig, of the City of Port Alberni, in the Province of British Columbia, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a retiree of Catalyst Paper Corporation and its related and predecessor companies ("Catalyst" or "the Company"). I retired from Catalyst in April of 2008, after approximately 37 years of service. As a retiree of Catalyst, I have knowledge of the matters which I hereinafter depose, except where stated to be based on information or belief.

2. I swear this Affidavit in support of the Application brought by myself and other members of the Steering Committee (the "Committee") of the Catalyst Salaried Employees & Pensioners Group (the "CSEP") for a declaration that the amount of \$115 million representing the wind up deficiency owing to the Catalyst Paper Corporation Retirement Plan for Salaried Employees (Reg. No. 85400-1) (the "Salaried Plan") by Catalyst from the assets of the Company is subject to a deemed trust for the benefit of the beneficiaries of the Salaried Plan under section 43.1 of the *Pension Benefits Standards Act* (the "PBSA") to be paid into the Salaried Plan fund in accordance with the PBSA, and that such amounts are not distributable to other creditors of the Petitioners and that this declaration survives any bankruptcy of the Petitioners.

3. I have previously sworn two affidavits in this proceeding, which are dated February 13, 2012 and February 22, 2012, respectively. I rely upon my sworn statements in those affidavits, and attach copies of these Affidavits, without their exhibits, as **Exhibit "A"** and **Exhibit "B"** to this Affidavit.

The Registered Pension Plan Solvency Deficiency

4. As is set out in the Affidavit of Brian Baarda, affirmed January 31, 2012, the Salaried Plan had a solvency deficiency of approximately \$73.5 million as at December 31, 2010. A true copy of the relevant excerpts of the Baarda Affidavit is attached hereto as **Exhibit "C"**.

5. In subsequent public statements, the Chief Executive Officer of Catalyst has advised that the Salaried Plan currently has a solvency deficiency totalling approximately \$115 million.

Catalyst's CCAA Filing and the Activities of the Committee

6. On January 31, 2012, after an unsuccessful out-of-court restructuring under the *Canada Business Corporations Act*, Catalyst obtained an order pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") staying all proceedings and claims against them (the "Stay Order").

7. On February 10, 2012, due to growing concern about the underfunded state of the Salaried Plan, I, along with several other Catalyst retirees and employees, including Jeff Whittaker, Doug Meredith, Francesca Pomeroy, Terry Stewart and Bob Gordon met to organize the Catalyst Salaried Employees and Pensioners group to advocate for the protection of our pension and employment entitlements from Catalyst.

8. Prior to the company entering CCAA protection, I and other members of the Committee have been active in engaging Catalyst as well as the B.C. pension regulator, the Superintendent of Pensions, on issues related to the Salaried Plan, and in particular, ensuring that the Plan can provide the promised amount of benefits to current and retired employees of Catalyst. We have also met with local politicians about the issues facing the pension plan in the Catalyst restructuring.

9. While the Committee supports a successful restructuring of Catalyst as the best outcome for all stakeholders, we are very concerned with the Plan under which Catalyst is proceeding.

The Proposed Plan of Compromise and the Attached Sales Process

10. On March 22, 2012, on application by Catalyst, the Supreme Court of British Columbia issued three orders:

- (a) Establishing a claims procedure for filing claims by creditors of Catalyst (the “Claims Procedure Order”);
- (b) Establishing a voting procedure in respect of a proposed Plan of Compromise and Arrangement (the “Meeting Order”); and,
- (c) Establishing a Sale and Investor Solicitation Process in the event that a plan of arrangement and compromise does not receive sufficient support by the creditors of the Petitioners (the “SISP Order”).

11. True copies of the Claims Procedure Order, the SISP Order and the Meeting Order are attached hereto as **Exhibit “D,” Exhibit “E”** and **Exhibit “F”** respectively.

12. These Orders were issued by the Court to provide for a process for a vote on the Plan of Compromise (the “Plan”) and in the event that the Plan is defeated, creating a

process for the immediate sale of the assets of Catalyst through a “Stalking Horse Bid” procedure.

13. The purpose of the proposed Plan, dated March 15, 2002, as stated at section 2.1 of the Plan, is to “enable the Debtor’s business to continue, and to maximize the recovery of the Debtors’ Creditors.” A true copy of the Plan is attached hereto as **Exhibit “G.”**

14. It is my hope and that of the members of the Committee that the proposed Plan is approved as it presents the best opportunity available of ensuring that the Salaried Plan will not be wound up in a deficit position, and that there will be no corresponding benefit reductions for current or future pensioners.

Under the Stalking Horse Agreement the Salaried Plan will be Wound Up

15. I have been informed by Ari Kaplan of Koskie Minsky that this Plan is somewhat unique in CCAA proceedings, in that as currently drafted a failed Plan vote will immediately lead to a sale process. If the Plan fails, the SISP Order provides that the terms of the Stalking Horse Agreement (the “Sale Agreement”) will be implemented. A true copy of the Sale Agreement is attached hereto as **Exhibit “H.”**

16. The interests of the pensioners and employees will be severely prejudiced in the event that the Plan is not approved. In particular, the rights and interests of employees and retirees of the Petitioners will be prejudiced in the following ways, as specified in the Agreement:

- (a) the definition of “Excluded Liabilities” under the Agreement includes any pension or other post-retirement liability of the Sellers to any current or former employee, except with respect to any transferred employees;
- (b) the Agreement expressly exempts the Salaried Plan from the definition of “Transferred Employee Plan” under the Agreement, meaning that the purchaser of the assets of the Petitioners will not assume liability for any deficiencies in the Salaried Plan; and,
- (c) the Agreement includes a condition that, on closing, the Canadian Court granting a Final Order shall discharge the Purchaser from any liabilities or

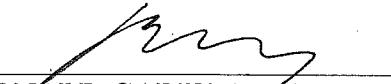
obligations of the Sellers under any of the Seller's Employee Plans other than Transferred Employee Plans.

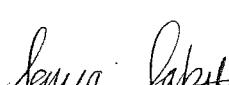
17. In short, if the Plan of Compromise is defeated, the Salaried Plan will be abandoned. In contrast, it is my understanding that under the Sale Agreement the administration and funding of the pension plans of Catalyst's unionized employees will be assumed by the purchaser.

18. As a result of the Sale Agreement, if the relief requested by the Committee on this motion is not granted, in the event that the Plan is not approved by the creditors on April 23, 2012, the liabilities owing to the Salaried Plan will not be paid, and the Salaried Plan will certainly be wound up with a significant unfunded liability. This in turn will result in a reduction of pension benefits for current employees and pensioners.

19. I swear this Affidavit in good faith and for no other or improper purpose.

SWORN BEFORE ME at the City)
of Vancouver, in the Province of)
British Columbia, this 13th day)
of April, 2012)


RONALD GARY McCAIG


A Commissioner for taking Affidavits in)
the Province of British Columbia)

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Action No. S120712
Vancouver Registry
SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

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

AND:

**IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 2002, c. 57
1985, c. C-44**

AND:

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

AFFIDAVIT OF RONALD GARY McCAG

McGRADY & COMPANY

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This is Exhibit "A"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 13th day of April 2012


A COMMISSIONER FOR TAKING AFFIDAVITS



This is the 1st Affidavit of
Ronald Gary McCaig in this case and was
made on February 13, 2012

No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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

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

**AFFIDAVIT OF RONALD GARY MCCAIG
(sworn February 13, 2012)**

I, RONALD GARY MCCAIG, of the City of Port Alberni, in the Province of British Columbia, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a former employee of both Pacifica Papers Inc. and Norske Skog Canada Ltd, which later became Catalyst Paper Corporation, one of the Petitioners in these proceedings (collectively "Catalyst").

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2. I retired from Catalyst on April 30, 2008, after approximately 37 years of service with Catalyst's predecessor and related companies.
3. From 1971 to 1998, I was employed at the Port Alberni Pulp and Paper Mill division of MacMillan Bloedel. In 1998, MacMillan Bloedel's paper assets became Pacifica Papers Inc., and I joined that company. In 2001, Pacifica Papers Inc. became Norske Canada, and my service continued with that company. I retired as an employee of Norske Skog Canada Ltd.
4. Over the years, I held several different positions within the company. I started in 1971 as a Junior Process Engineer, and over the years I held several different positions within the Port Alberni Mill, including: Technical Assistant to the Paper Mill Superintendent; Day Supervisor of Stock Preparation; Day Supervisor of the Number Three Paper Machine; Day Supervisor of the Number 5 Paper Machine; Paper Mill Superintendent; Production Manager (Paper); Operations Manager; and Product Manager (LWC).
5. I then switched from employment at the Port Alberni Mill to employment out of Pacifica Papers Inc.'s corporate head office in Vancouver. When Norske Canada merged with Pacifica Papers, I became the Director of Technical Services, and that was the position that I held immediately prior to leaving Catalyst.
6. I am entitled to (and receive) a pension from the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Registration No. 85400-1 (the "Salaried Pension Plan"). My wife, Juliana Geertruida McCaig, is listed as a Survivor on my Pension Plan documents and will be entitled to payment from the Pension Plan in the event that she is still living at the time of my death.

7. I am also entitled to a pension from the Supplementary Pension Plan for Former Pacifica Papers Inc. Employees (the "Supplemental Plan"), and am entitled to and participate in certain retiree health benefit programs provided by Catalyst (the "Health Care Plan").

8. As a former employee and current retiree of Catalyst, I have knowledge of the matters to which I hereinafter depose, except where stated to be based upon information and belief.

Catalyst's CCAA Protection

9. On January 31, 2012, the Petitioners obtained an order, pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"), staying all proceedings and claims against them (the "Stay Order"). As a retiree now drawing a pension from the Pension Plan and the Supplemental Plan and accessing the Health Care Plan, I have a direct interest in the outcome of Catalyst's CCAA restructuring.

10. I have been closely following the affairs of Catalyst since I left the company. While I was still working with the company, I was aware of the business challenges that the company was facing, and since then I have read numerous articles detailing the company's financial difficulties. I also read the Annual and Quarterly Reports that Catalyst would file due to its status as a public company.

11. In support of the Stay Order, an affidavit was sworn on January 31, 2012 by Brian Baarda ("Baarda"), the Vice President, Finance and Chief Financial Officer of Catalyst Paper Corporation. I have read this affidavit.

12. Baarda swears in his affidavit that Catalyst is suffering severe financial difficulties and requires CCAA protection. Specifically:

- a. The value of the company, if sold as a going concern, is less than its liabilities (para. 3);
- b. Without Debtor-in-possession financing, Catalyst will be unable to continue to satisfy its financial obligations as they become due;
- c. As of January 27, 2012, the company had drawn approximately \$63 million from its ABL facility and had approximately \$32 million issued in letters of credit under the ABL facility (para. 56);
- d. The ABL facility is secured by a first priority charge on the Petitioner Parties' current assets, subject to the first priority charge of the 2016 Notes described below (para. 58);
- e. As of December 31, 2011, Catalyst owed the holders of the 2016 Notes US\$390 million, and the holders of these notes are secured creditors of the company (paras. 55 and 60);
- f. The Company also has significant unsecured debt, including \$250 million to the 2014 noteholders, and as of January 12, 2012, trade debt in the amount of \$80 million (paras. 65 and 66); and
- g. Baarda's affidavit also sets out that the Company owes \$23 million in accrued vacation pay to its employees (para. 67).

13. I have also reviewed the Amended and Restated Initial Order in the CCAA Proceedings of Catalyst, and it explains that the company has been authorized to draw up to \$175 million from a Debtor-in-Possession lending agreement.

14. From reading the Monitor's website, I also understand that on February 6, 2012, the Critical Suppliers of Catalyst have been ordered to continue to provide credit to the company, and that they will have a charge of 130% of the value of the credit granted to Catalyst.

15. Baarda also swears that the Salaried Pension Plan currently has a solvency deficiency of approximately \$73.5 million, and assets with a market value of approximately \$284 million (para. 73).

16. Baarda advises that in 2009 the B.C. Superintendent of Pensions granted Catalyst a five year extension on the time period to make special payments for solvency deficiencies (para. 79).

17. He also advises that by letter dated December 14, 2011, the Financial Institutions Commission of B.C. ("FICOM") has proposed a modified schedule to address solvency deficiencies in the Salaried Plan that involves smaller payments in each year, but that this letter stated that a filing under the CCAA has automatically cancelled this offer (para. 75).

18. I am further advised by Andrew Hatnay, a lawyer at Koskie Minsky, that he has been told by William Kaplan, Q.C., lawyer for the Petitioners, that a subsequent agreement has been reached which will see approximately \$1.1 million put into the Salaried Plan, but which will allow the solvency payments to be further extended as per the December 14, 2011 offer from FICOM.

Actions Personally Taken to Alleviate Funding Issues in the Salaried Pension Plan

19. Prior to Catalyst filing for CCAA protection, I have been personally involved in numerous initiatives which sought to alleviate the funding issues being faced by the Salaried Pension Plan.

20. As an example, I, along with several other concerned retirees, have written numerous letters to the Superintendent of Pensions asking her not to allow Catalyst to extend the time within which they must make solvency payments. Attached as **Exhibit A, B and C**, please find examples of the letters that I have written to the Superintendent.

21. Due to concerns that I have about the annuity market in Canada and the effect that it would have upon myself and other pensioners if the plan were wound up in its current state, in December of 2011 I wrote a letter to Kevin Clarke, the CEO of Catalyst Paper Corporation, asking him to amend the language in the pension plan to give more flexibility to plan members upon wind-up by offering options other than wind-up by annuity. This letter, which was also sent on behalf of 30 other Catalyst retirees, is attached as **Exhibit D**.

22. After the CCAA filing, I was sent an email by Paul Einarson in which he informed me that it would be difficult to change the language in the Salaried Pension Plan but that he understood the importance of trying to do so. A copy of this email is attached as **Exhibit E**.

Catalyst's Retirees and Employees Unite and Retain Koskie Minsky LLP

23. In relation to these various efforts to alleviate the funding issues in the Salaried pension Plan, over the last few years I have developed a mailing list of concerned members of the Salaried Plan. This group was originally constituted mostly of people that I knew in Port Alberni, but as the news on Catalyst worsened, more and more people started contacting me.

24. I, along with many other former employees of Catalyst, am very concerned about Catalyst's insolvency, as we rely on the Salaried Pension Plan, the Supplemental Plan and the Health Care Plan to make ends meet in our retirement years.

25. When I first heard that Catalyst had entered CCAA protection, I wrote a letter to Bill Sharkey of the Timberwest Catalyst Retired Salaried Employees Association (the "RSEA"), and asked what his plans were with respect to taking on the CCAA issue. I assumed, based on past conduct of RSEA, that they would not take this on directly.

26. I decided to organize a group to protect the interests of Catalyst's retirees and employees, with an emphasis on those who had entitlement under the DB plan.

27. I, along with Jeff Whittaker, began researching what lawyer or law firm would be appropriate for us to retain to represent our interests in the CCAA proceeding. The name that clearly came up was Andrew Hatnay and Koskie Minsky LLP.

28. I sent Andrew Hatnay a note by email late in the evening on February 2, 2012. The next morning, I had a response from Mr. Hatnay offering to discuss the possibility of representing us in the CCAA proceeding.

29. Since that day, I have had several discussions with Andrew Hatnay and several other lawyers at Koskie Minsky, including Ari N. Kaplan, Demetrios Yiokaris, Andrea McKinnon and James Harnum.

30. On February 10, 2012, I, along with several other Catalyst retirees and employees, including Jeff Whittaker, Doug Meredith, Francesca Pomeroy, Terry Stewart and Bob Gordon met for approximately three hours with lawyers from Koskie Minsky at the Fairmont Waterfront Hotel in Vancouver including Messrs. Hatnay and Kaplan.

31. The former and current Catalyst employees that attended this meeting are, at the moment, serving as an ad hoc steering committee to broadly represent the common employee and pensioner interests. As this matter moves forward, it is our intention to establish a formal structure. Each member of the steering committee has retained Koskie Minsky to represent us individually in the CCAA proceeding, and we have also reached out to other employees and retirees and sought to have those persons retain Koskie Minsky as well. I am informed by James Harnum of Koskie Minsky that as of February 13, 2012, at 4:36 E.S.T., Koskie Minsky has been retained by 103 former and current employees of Catalyst.

32. Our ad hoc steering committee is currently made up of the following individuals:

- a. Ronald Gary McCaig, who is retired and has entitlement under the Defined Benefit portion of the Salaried Pension Plan and the Supplemental Plan;
- b. Jeff Whittaker, who is retired and has entitlement under the Defined Benefit portion of the Salaried Pension Plan;
- c. Terry Stewart, who is retired and has entitlement under the Defined Benefit portion of the Salaried Plan;
- d. Bob Gordon, who is retired and has entitlement under the Defined Benefit portion of the Salaried Pension Plan;
- e. Janice Young, who is a current employee on Long-Term Disability, and has entitlement under the Defined Benefit and Defined Contribution portions of the Salaried Pension Plan;
- f. Patricia Dwornik, who is the Surviving Spouse of Joseph Dwornik, and draws a Survivor's Pension from the Salaried Pension Plan;
- g. Francesca Pomeroy, who is a current employee and has entitlement under the Defined Benefit and Defined Contribution portions of the Salaried Pension Plan;
- h. Doug Meredith, who will retire shortly and is currently on salary continuance, and has entitlement under the Defined Benefit and Defined Contribution portions of

the Salaried Pension Plan, as well as entitlement under the Supplemental Pension Plan; and

- i. Peter Flynn, who is a deferred vested member of the pension plan, and has entitlement under the Defined Benefit and Defined Contribution portions of the Salaried Pension Plan.

33. As can be seen from this list above, our steering committee includes persons who collectively reflect a comprehensive cross-section of the Catalyst workplace, each with a different entitlement but together all have common concerns over the outcome of this employer and proceeding. We are all very concerned about the Salaried Pension Plan and the other benefits owed to us from Catalyst.

34. The members of the steering committee have come to the conclusion that Koskie Minsky LLP, along with British Columbia co-counsel, are best suited to represent my and other similarly-situated current and former employees in this matter.

35. My research into the issue of who should represent us has led me to this conclusion. Koskie Minsky has 40 lawyers, supported by a bilingual communications department. It is clear from my research that they are recognized leaders in representing groups of retirees and employees in large scale restructurings. Their website also shows that they have specialty practices in the areas of pension, benefits, labour and employment, restructuring and insolvency law.

36. The lawyers we are initially working with are Andrew Hatnay (Partner), Ari Kaplan (Partner), Demetrios Yiokaris (Associate), Anthony Guindon (Associate), Andrea McKinnon (Associate) and James Harnum (Associate).

37. Collectively, these individuals have represented groups like ours in dozens of situations, including some of the largest and most complex pension and insolvency cases in Canadian history, such as Nortel, Royal Oak Mines, Eaton's, Dylex, Saan Stores, Cotton Ginny, Irwin Toy, Domgroup, Hollinger Canadian Publishing Holdings, Smurfit-Stone, Indalex, Hard Rock Paving, General Chemical, Vicwest, Ivaco, Stelco, Algoma Steel, and Fraser Papers, with some notable successes. For example, Andrew Hatnay was lead counsel in the "Indalex" decision which was a landmark case in improving pension rights in restructuring. Ari Kaplan has taught pension law at

a number of law schools in Canada and his textbooks on Pension law is regularly cited as an authority by the Supreme Court of Canada.

38. I was also persuaded to retain Koskie Minsky when I read the decision of the Honourable Justice Morawetz in the Nortel case, which stated the following about the firm when it was appointed to represent the employees and retirees of Nortel:

"As to which counsel should be appointed, all firms have established their credentials. However, KM is, in my view, the logical choice. They have indicated a willingness to act on behalf of all former employees. The choice of KM is based on the broad mandate they have received from the employees, their experience in representing groups of retirees and employees in large scale restructurings and speciality practice in the areas of pension, benefits, labour and employment, restructuring and insolvency law, as well as my decision that the process can be best served by having one firm put forth the arguments on behalf of all employees as opposed to subdividing the employee group."

39. All the members of the steering committee have retained Koskie Minsky, as have 103 other retirees and employees. This is the law firm that we have chosen to represent us, and who we believe has the experience and resources to best represent our interests.

40. In light of the foregoing, I and the members of the steering committee have instructed Koskie Minsky LLP to seek an Order of this Court, appointing one or more members of the Steering Committee as Representatives, and Koskie Minsky LLP as Representative Counsel, of:

1. all current non-unionized employees of 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 Recycling Inc., Catalyst Paper (Snowflake) Inc., Catalyst Paper Holdings Inc., Pacific Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc. or the Apache Railway Company (collectively "Catalyst") or any person claiming an interest under or on behalf of such employees;
2. all active, deferred vested and retired members of the Catalyst Paper Corporation Retirement Plan for Salaried Employees (Reg. No. 85400-1), the Catalyst Paper Corporation Retirement Plan "A" (Reg. No. 85944-1) and/or the Catalyst Paper Corporation Retirement Plan "C" (Reg. No. 55234) (collectively, the "Catalyst Pension

This is Exhibit "B"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 13th day of April 2012

Gary J. Lakin
A COMMISSIONER FOR TAKING AFFIDAVITS



This is the 2nd affidavit of
R.G. McCaig in this case and was
made on February 22, 2012

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

AFFIDAVIT OF RONALD GARY MCCAIG
(sworn February 22, 2012)

I, Ronald Gary McCaig of the City of Port Alberni, in the Province of British Columbia,
MAKE OATH AND SAY AS FOLLOWS:

1. I retired from Catalyst in April of 2008, after approximately 37 years of service with Catalyst's predecessor and related companies. Shortly after my retirement, I was sent a letter inviting me to join the Catalyst TimberWest Salaried Employees Association ("RSEA"). I joined RSEA, and as a retiree of Catalyst and a current member of RSEA, I have knowledge of the matters which I hereinafter depose, except where stated to be based on information or belief.

2. I have read the Affidavit of Alan Lorne Statham; sworn February 21, 2012 (the "Statham Affidavit"). Mr. Statham – who is on the Board of Directors of RSEA – confirms at paragraph 15 of his affidavit that RSEA has 11 Directors, including the President, Bill Sharkey.

3. According to paragraph 11 of Mr. Statham's affidavit, RSEA has 1497 members, 1024 of whom are retirees of Catalyst. The remaining members of RSEA are former employees of a separate company called TimberWest.

4. Paragraph 30 of Mr. Statham's affidavit confirms that three of the eleven Directors of RSEA never had an employment relationship with Catalyst, and as former employees of a different company, have no direct interest in the CCAA Proceeding. I am concerned that several members of the RSEA Board, who will be making decisions that affect my interests, have no interest in the outcome of the CCAA Proceeding.

5. Since my retirement in 2008, I have become increasingly active in advocacy around pensioners rights and the defined benefit portion of the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Registration No. 85400-1 (the "Salaried Pension Plan"). In many instances I worked collaboratively with Bill Sharkey.

6. For example, I helped author a Briefing Paper to members of the British Columbia legislature. This paper was sent on behalf of RSEA and another retiree organization. It is attached as Exhibit "A". In an email dated June 10, 2011, Bill Sharkey sent me a thank you note for my work on this briefing paper, wherein he recognized the "great job" I had done. This email is attached as Exhibit "B".

7. As another example of the collaborative relationship I have traditionally had with RSEA and Mr. Sharkey, I have attached another email sent to me by Bill Sharkey where he asks for my input on a letter he was drafting to the Superintendent of Pensions. A copy of this email is attached as Exhibit "C".

8. There are also many other examples of me working with Bill Sharkey on pension issues.

The Role of RSEA Prior to Catalyst's CCAA Filing

9. As a member of RSEA I attended annual and regional meetings and received reports from RSEA by letter and email. I also spoke to RSEA president Bill Sharkey personally and we communicated frequently by telephone and email. Through these communications I became aware that while RSEA has at times sought legal advice on behalf of the Association or groups of members, their traditional position has been that they would not take direct legal action or negotiate on behalf of members. Mr. Sharkey has told me that the rationale for the refusal to take on such legal challenges has been that RSEA has a diverse membership base with differing priorities.

10. The fact that RSEA does not typically take on the role of a legal representative for their members was recently confirmed to me in an email from Mr. Sharkey dated January 8, 2012. Mr. Sharkey wrote the following about the mandate of RSEA:

We are not a union, and do not negotiate for the retiree, but attempt to keep them informed on what is happening relative to their pensions and benefits and to keep the communications with the company open so we can discuss any difficulties that individuals have.

A copy of this email is attached to this affidavit as Exhibit "D".

11. RSEA's traditional reticence to commence legal action on behalf of their members is also illustrated by its 2009 Membership Report, which, when discussing a certain matter involving some of its members, wrote that "[A]s RSEA was not an injured party, we were advised that it was not appropriate for RSEA to take legal action. However if a number of individuals have a legal concern, we could facilitate them in getting together to determine if they wish to proceed". The Membership Report also mentions that RSEA's lawyer will meet with members of RSEA to discuss their problem, as long as the member of RSEA pays for it. A copy of this page of the Membership Report is attached as Exhibit "E".

12. The fact that RSEA does not take legal action for their members is also confirmed by a document sent to me and other RSEA members in 2010. RSEA's 2010 Regional Meeting Notes, which are attached as Exhibit "F", summarize the company's position on taking legal action. The comments stemmed from Catalyst unilaterally reducing all retiree benefits, and certain members of RSEA looking for RSEA to take legal action. RSEA's comments were:

It is not appropriate for RSEA to engage in direct legal action on behalf of individual members or groups of members. RSEA is not an injured party so individual members would have to process any legal actions.

13. The Meeting Notes go on to say that the RSEA Board attempted to define the role of RSEA in assisting members who wish to commence legal action, and came up with the following policy:

We have advised members interested in proceeding with a legal case that we would be willing to contact members who have given us their email address, by email, and advise them a legal case is being considered and how to contact the individuals involved. We have also offered to include the information on one of our regular mail outs.

14. On January 23, 2012, according to Exhibit CC of the Statham Affidavit, RSEA sent out an email to its members wherein it reiterated a week before the CCAA that they are "not qualified to advise retirees..."

As a RSEA Board, we are not qualified to advise retirees but anticipate these changes could have a major change on our Pensions and Benefits.

This email is attached as Exhibit "G"

15. Based on all of these clearly stated positions on taking legal action, I did not imagine that RSEA would ever attempt to represent all of its members – and those that are in the Salaried Pension Plan but are not members – in a legal proceeding against Catalyst. They had never received a mandate to do so, had never been willing to do so before, indicated that they were "not qualified to advise retirees" and as stated in the 2010 Regional Meeting Notes, the RSEA Board is made up of individuals who are "not experts on pension, benefits, or legal issues". This does not fill me with confidence about RSEA's ability to represent my interests in this CCAA proceeding.

16. On Jan 31, 2012, immediately after learning that Catalyst had gone in to CCAA, I sent an email to Mr. Sharkey inquiring as to whether the Board had made a decision to seek legal advice and suggesting that as RSEA included TimberWest members, and bearing in mind RSEA's previously stated position that it does "not negotiate for the retiree", it would be most

appropriate to form a separate group which would be composed of all former and current employees of Catalyst that were entitled to a Defined Benefit pension from the Salaried Pension Plan.

17. Based on RSEA's lack of expertise in the area, its traditional refusal to get involved in legal proceedings affecting their members, that its membership and board include many individuals without any direct interest in Catalyst or the CCAA proceedings, and their stated purposes, RSEA did not seem like the ideal group to represent the interests of employees and retirees in the CCAA proceeding. Nevertheless, without notice to members or a mandate from them, RSEA sought and obtained a Representation Order which put them in the position to bargain on behalf of all their members, retired persons that are not members, and active employees with entitlement under the Salaried Pension Plan.

18. According to paragraphs 8 to 10 of the Statham Affidavit, RSEA does not seek to represent current employees or employee issues relating to non-pension issues. RSEA thus has a very restricted mandate, and according to paragraph 17 of the Statham Affidavit, all of RSEA's current directors are retired employees.

Communications Received from RSEA after Catalyst's CCAA Filing

19. On February 1, 2012; I received an email from RSEA which stated that on January 24, 2012, RSEA retained Randy Kaardal of Hunter Litigation to represent the "association" during the CCAA process. A copy of this email is attached as Exhibit "H".

20. On February 5, 2012, I received an email from RSEA which requested funds to pay the lawyers that RSEA had retained. This email also noted that "[RSEA] continue[s] to work with our lawyers and the Company to protect the interests of all retirees during this stressful period". This email makes no reference to any plan to compromise the rights of their members. A copy of this email is attached as Exhibit "I".

21. On February 8, 2012, I received an email from RSEA informing me that on February 6, 2012, Randal Kaardal reached agreement with FICOM and Catalyst Paper in regard to certain pension issues. The email also reported that the court had issued an order mandating that RSEA's legal fees paid by Catalyst. There is nothing in this email which indicates that as part of this agreement, which allowed Catalyst to pay less than what was actually owed into the pension

plan, RSEA and Hunter Litigation had agreed to compromise and waive certain statutory rights of the Salaried Pension Plan members. A copy of this email is attached as Exhibit "J". This is also true of their email of February 15, which is attached as Exhibit "K".

22. I am very concerned that a full week before they advised me and other members they were doing so, RSEA retained Mr. Kaardal, purportedly to represent all of us.

23. Furthermore, as of February 12, Mr. Kaardal and RSEA had not received a mandate to represent me or any other pensioners. Nonetheless, Mr. Kaardal and RSEA undertook important negotiations and made decisions which may have a great impact on me and other pensioners and employees.

24. Although RSEA appears to have stopped sending me all of the communications they send to members (even though I was and still remain a member of RSEA), other RSEA members have forwarded any communications to me that I have not received. As a result, I am aware that on February 13, 2012, RSEA sent out a communication in which they noted that another group of retirees had retained Koskie Minsky and were seeking to have Koskie Minsky LLP appointed Representative Counsel. A copy of this email is attached as Exhibit "L".

25. In reading RSEA's email request for a mandate, I noted that the email that RSEA members were asked to send in did not directly retain Mr Kaardal. Instead, RSEA members were asked to "authorize and support" the RSEA board to continue to represent them and to retain Mr. Kaardal. I also noted that responders were not asked to confirm their status and interest in the CCAA proceedings. I do not know if this email was sent to all RSEA members or only those who are Catalyst pensioners.

26. As mentioned previously, RSEA does not purport to be expert on pensions or insolvency issues. RSEA retained Randy Kaardal of Hunter Litigation. A copy of Mr. Kaardal's bio is attached as Exhibit "M". Mr. Kaardal does not appear to be experienced in either pension law or insolvency law.

Actions Taken by Myself and the CSE&P Steering Committee

27. I and four other Catalyst retirees participated in a teleconference with several lawyers from Koskie Minsky on February 3, 2012. I advised KM at that time that RSEA had retained a

lawyer to represent the "association". Andrew Hatnay of Koskie Minsky suggested that they would be willing to work with Mr. Kaardal of Hunter and would contact him about making such an arrangement. I have been informed by James Harnum and Andrew Hatnay that each offered the possibility of a co-counsel arrangement to Randy Kaardal but neither offer was accepted.

28. Between February 4, 2012 and February 8, 2012, I attempted to facilitate a working arrangement between the two law firms, initially through email contact with Mr. Sharkey and through a subsequent phone call to him.

29. On February 7, 2012, I received an email from Mr. Erik Bentsen asking myself and Jeff Whittaker to participate in a teleconference with him, Bill Sharkey and Dennis Fitzgerald the next morning and I agreed to do so.

30. I have known Mr. Sharkey and Mr. Fitzgerald for some time and they are both Catalyst retirees and RSEA board members.

31. I did not previously know the other board member, Mr. Bentsen, a former TimberWest employee, who was introduced, along with Mr. Sharkey, as one of the board members who are instructing RSEA's legal counsel, Mr. Kaardal. Since he is a former TimberWest member, I believe that Mr. Bentsen has no direct interest in the CCAA proceeding.

32. Ultimately, my attempts to work out a co-counsel arrangement have not been successful.

33. The informal group that I had started continued to grow and I began sending out updates to members and others who had expressed an interest in joining us. Initially, my group was only reaching out to retirees with entitlement under the Salaried Pension Plan, but as time went on, we were approached by current employees, terminated employees with deferred entitlement under the pension plan, and active employees on long-term disability. These people had no other representation, and after conferring with Koskie Minsky, we realized that all of us shared common interests. Those interests were protecting our employment and pension rights and ensuring that we had the best possible legal representation in the CCAA proceedings. Attached as Exhibit "N" is a copy of a communication that I sent out to my mailing list, dated February 18, 2012, that describes the purpose of our group and the process of retaining Koskie Minsky.

34. On February 10, 2012, six interested members of the informal group met with lawyers from Koskie Minsky in Vancouver. Together with three other members, we formed a Steering Committee to direct our legal representation.

35. I and the other members of the Steering Committee are committed to having the best possible legal representation in this matter, and for this reason, we have instructed Koskie Minsky to bring a motion to replace Hunter Litigation. Furthermore, we believe that the CSE&P is a more appropriate group than RSEA in that it can speak for all employees and pensioners. For that reason, we have also asked Koskie Minsky to bring a motion to appoint certain members of the Steering Committee of CES&P as Representatives to certain current employees and all non-unionized retirees.

36. James Harnum of Koskie Minsky has informed me that as of February 23 at 2:30PM PST, Koskie Minsky has been retained by 185 employees and retirees of Catalyst. James Harnum has provided me with a copy of a spreadsheet which summarizes these retainers. It is attached as Exhibit "O". I have also been provided with a copy of each of the retainers Koskie Minsky has received, and they are attached as Exhibit "P".

37. On Tuesday, February 21, Koskie Minsky and the CSE&P group held a Town Hall meeting at the Minoru Place Activity Center in Richmond, B.C. That meeting was attended by both active employees and retirees of Catalyst. At the meeting, Ari Kaplan of Koskie Minsky addressed the assembled employees and retirees about the CCAA process, the role of Koskie Minsky and what could be expected in the coming months. Kevin Brennan of Ernst & Young Inc. – the financial advisor to the CSE&P – was also there to discuss the process and answer questions. We intend to hold subsequent Town Hall meetings in Port Alberni and Powell River in the coming weeks. Contemporaneous to this meeting current and former employees at Catalyst's Powell River location who are supportive of the CSE&P group also held a grass-roots meeting to discuss Koskie Minsky's role.

Response to Conflict of Interest Alleged in Mr. Statham's Affidavit

38. In his affidavit, at paragraphs 102 to 104, Mr. Statham alleges that Koskie Minsky would be in a conflict of interest if it were to represent the CSE&P group and other members of RSEA. His rationale for this is his assertion that Koskie Minsky will try to overturn the Compromise

Agreement, which RSEA claims to support, made between FICOM and Catalyst, and if successful, that would immediately send the company into bankruptcy. This is simply a divergence of views and not an actual conflict. It is nothing more than an unsupported scare tactic. Koskie Minsky would seek to protect the rights of pensioners and employees in this proceeding and negotiate fair compromises as may be required to ensure that Catalyst emerges from the proceeding as a healthy going concern. It may be that if circumstances warrant and this company's restructuring does fail, and a sale order is ultimately made, the Compromise Agreement may not be in the best interests of the retirees and employees. We would seek appropriate legal advice on these matters from Koskie Minsky.

SWORN BEFORE ME at Vancouver
in the province of British Columbia,
on February 22, 2012.



Commissioner for Taking Affidavits


RONALD GARY McCAIG

2nd McCaig Affidavit - FINAL

MICHAEL J. PROKOSH
Barrister & Solicitor
Box 12101 - Nelson Square
1105-808 Nelson Street
Vancouver, BC V6Z 2H2

This is Exhibit "C"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 3rd day of April 2012


A COMMISSIONER FOR TAKING AFFIDAVITS

2004. Interest at 7³/₈% is payable on the principal amount of those Notes and the next semi-annual interest payment of approximately \$9 million is due on April 1, 2012.

66. As of January 12, 2012, the Company had unsecured trade debt in the approximate amount of \$80 million in respect of trade and supply obligations arising in the normal course of business. The Company intends to pursue a restructuring that will result in the payment of all trade creditors for supplies and services provided, including those provided prior to the filing date, however at this time the Company cannot ensure that such an outcome will result.

67. As of December 31, 2011, the amount of accrued vacation pay the Company owes to its employees was approximately \$23 million.

Pension Plans

68. The Company maintains a variety of registered and unregistered pension plans.

69. In 2010, Catalyst made cash payments of approximately \$35.7 million towards its registered and unregistered pension plans and other post-employment benefits. In 2011, the Company made payments of approximately \$42.3 million for current and past service costs. In addition, the Company is required to make additional contributions to the registered pension plans in order to address their solvency deficits. As such, these plans and other post-employment benefits represent a significant use of the Company's available funds.

70. The Company is current on all required pension payments including special payments prescribed by the B.C. Superintendent of Pensions.

Registered Plans

71. The Company maintains three Canadian registered defined benefit pension plans for its Canadian employees:

- (a) Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Reg. No. 85400-1 (the "Salaried Plan");

- (b) Catalyst Paper Corporation Retirement Plan "A", B.C. Reg. No. 85944-1 ("Plan A"); and
- (c) Catalyst Paper Corporation Retirement Plan "C", Can. Reg. No. 55234 ("Plan C").

72. The Salaried Plan is the umbrella plan for the Company's non-union employees and provides a pension based on years of service and earnings. As of January 1, 2010, the employees in the Salaried Plan ceased to participate in the defined benefit segment of the Salaried Plan and began to participate in the defined contribution segment of the Salaried Plan. Salaried employees hired after January 1, 1994 enrolled in the defined contribution segment of the Salaried Plan.

73. As at December 31, 2010, the Salaried Plan had a market value of approximately \$284 million and a deficit as measured on a solvency basis of approximately \$73.5 million. As at December 31, 2010, there were 1,477 members of the defined benefit portion of the Salaried Plan and 572 members of the defined contribution portion of the Salaried Plan. The Company made total contributions to the Salaried Plan in 2011 of approximately \$8.5 million.

74. In October 2009, the B.C. Superintendent of Pensions granted the Company a five-year extension of the time period to make special payments for solvency deficiencies.

75. By letter dated December 14, 2011, the Financial Institutions Commission of B.C. ("FICOM") has proposed a modified schedule to address the solvency deficiency in the Salaried Plan that involves smaller special payments in each year, plus additional amounts determined in relation to the Company's EBITDA. However, FICOM states that this modification, if accepted and implemented prior to a CCAA filing, will be automatically cancelled upon a filing. Attached as Exhibit "E" is that letter sent by FICOM to me.

76. Plan A was developed under predecessor employers for certain unionized employees. It is now generally used by the Company to provide early retirement subsidized pensions or additional pensions to unionized employee. As at December 31, 2010, Plan A had a market value of approximately \$12 million and a solvency deficit of approximately \$3.2 million. The

Company made total contributions (including solvency payments) to Plan A of approximately \$0.5 million in 2011. As at December 31, 2010, Plan A had a total of 401 members. No active employees are members of Plan A. As far as the Company is aware, Plan A currently includes eleven retired former or retired employees who reside outside of British Columbia. The retirees receive their payments from CIBC Mellon Trust Company, who acts as trustee.

77. All of the above deficits are calculated on the basis of current interest rates. A modest increase in market interest rates will significantly reduce the calculated deficits.

78. The Company intends to make all normal cost payments during the restructuring. At present, the normal cost payments are paid monthly in arrears and are included in the Cash Flow Forecast (defined below). The Company did make payments of \$8,991,979 in 2011, including a special cost payment of \$4,843,651 in December 2011. In addition the Company has made a special cost payment of approximately \$2.7 million due on January 31, 2012 and such payment is included in the Cash Flow Forecast (defined below). The Company hopes to emerge from the CCAA process before a April 30, 2012 special costs payment is due.

79. Plan C was a plan put in place by a predecessor employer and is fully funded. As of December 31, 2010, this plan had a surplus of \$179,000 on a solvency basis.

80. The Company's Canadian unionized employees are members of a union-sponsored, industry-wide pension plan to which Catalyst contributes a pre-determined amount per hour worked by an employee. The Company is not the administrator of this plan and has no unfunded obligations under it.

81. I understand that the Cash Flow Forecast (defined below) accounts for all normal payments and special payments in respect of the above pension plans that the Company may be required to pay during the period covered by the Cash Flow Forecast.

82. To date, the Company has taken no steps to wind up any of its registered or unregistered pension plans. Currently, the Company does not intend to wind up any of its registered pension plans through the CCAA process.

This is Exhibit "D"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 13th day of April 2012


A COMMISSIONER FOR TAKING AFFIDAVITS



No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

AND

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

AND

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

PETITIONERS

ORDER MADE AFTER APPLICATION

or CLAIMS PROCEDURE ORDER

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL)
)
)
March 22, 2012

ON THE APPLICATION of the Petitioner Parties coming on for hearing at Vancouver,
British Columbia, on the 21st day of March, 2012; AND ON HEARING, Bill Kaplan,
Q.C., Peter Rubin and Andrew Crabtree, counsel for the Petitioner Parties, John Grieve

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and Kibben Jackson, counsel for the Monitor, PricewaterhouseCoopers Inc., and those other counsel listed in Schedule "B" hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

SERVICE

1. The time for service of the Notice of Application herein be and is hereby abridged and the Notice of Application is properly returnable today and service thereof upon any interested party other than those parties on the Service List is hereby dispensed with.

DEFINITIONS AND INTERPRETATION

2. For the purposes of this Claims Procedure Order, all capitalized terms not otherwise defined in this Claims Procedure Order shall have the definitions set out in Schedule "C" hereto.

3. All references herein as to time shall mean local time in Vancouver, British Columbia, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein and any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

4. All references to the word "including" shall mean "including, without limitation".

5. All references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.

GENERAL PROVISIONS

6. The Claims Procedure, including the Claims Bar Date and the Restructuring Claims Bar Date, is hereby approved.

7. The Petitioner Parties and the Monitor are hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which forms delivered hereunder are completed and executed and the time in which they are

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submitted, and may, where they are satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Claims Procedure Order, including in respect of the completion, execution and time of delivery of such forms, and may request any further documentation from a Creditor that the Petitioner Parties or the Monitor may require in order to enable them to determine the validity of a Claim.

8. Any Claims denominated in a currency other than U.S. Dollars shall be converted to U.S. Dollars at the Bank of Canada noon spot rate in effect on the Commencement Date. Canadian Dollar denominated claims shall be converted at the Bank of Canada Canadian/U.S. Dollar noon spot rate in effect on the Commencement Date, which rate was USD \$1.00 = CAD \$1.0052.

9. Copies of all forms delivered by or to a Creditor hereunder, as applicable, and determinations of Claims by the Monitor, a Claims Officer or the Court, as the case may be, shall be maintained by the Monitor and, subject to further order of the Court, such Creditor will be entitled to have access thereto by appointment during normal business hours on written request to the Petitioner Parties and the Monitor.

MONITOR'S ROLE

10. The Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Amended and Restated Initial Order, shall assist the Petitioner Parties in connection with the administration of the Claims Procedure, including the determination of Claims of Creditors and the referral of any Claim to a Claims Officer or to the Court, as requested by the Petitioner Parties from time to time, and is hereby directed and empowered to take such other actions and fulfill such other roles as are contemplated by this Claims Procedure Order.

CLAIMS PROCEDURE FOR UNSECURED NOTEHOLDERS

11. The Petitioner Parties and the Monitor shall not be required to send Claims Packages to the Unsecured Noteholders and neither the Unsecured Noteholders nor the Unsecured Notes Indenture Trustee shall be required to file Proofs of Claim in respect of their Claims pertaining to principal or accrued interest owing under the Unsecured Notes.

Within five (5) Business Days of the date of this Claims Procedure Order, the Petitioner Parties shall send to the Unsecured Notes Indenture Trustee (as agent for the Unsecured Noteholders), the Monitor and the Initial Supporting Unsecured Noteholders a notice (the "**Unsecured Noteholder Claims Notice**") stating the amounts of principal and accrued interest owing up to the Meeting Date directly by Catalyst under the Unsecured Notes Indenture and by the other Petitioner Parties under the guarantees executed by such other Petitioner Parties in respect of the Unsecured Notes (the "**Unsecured Notes Claims Voting Amount**"). Within ten (10) Business Days of receipt of the Unsecured Noteholder Claims Notice, the Unsecured Notes Indenture Trustee, in consultation with the Initial Supporting Unsecured Noteholders, shall advise the Petitioner Parties and the Monitor in writing whether the Unsecured Notes Claims Voting Amount is accurate. If the Unsecured Notes Claims Voting Amount is confirmed by the Unsecured Notes Indenture Trustee, after consultation with the Initial Supporting Unsecured Noteholders, or in the absence of any response by the Unsecured Notes Indenture Trustee or the Initial Supporting Unsecured Noteholders (if the Unsecured Notes Indenture Trustee does not respond) within ten (10) Business Days of receipt of the Unsecured Noteholder Claims Notice, the Unsecured Notes Claims Voting Amount shall be deemed to be the amounts of principal and accrued interest owing directly by Catalyst under the Unsecured Notes Indenture and by the other Petitioner Parties under the guarantees executed by such other Petitioner Parties in respect of the Unsecured Notes solely for the purpose of voting on any Plan; *provided, however*, that, for the purposes of distribution under any Plan or distribution from the proceeds of sale of any of the Petitioner Parties' assets, or otherwise from the Petitioner Parties or anyone else on behalf of the Petitioner Parties, the total amounts owing directly by Catalyst and by the other Petitioner Parties under the guarantees executed by such other Petitioner Parties in respect of the Unsecured Notes (the "**Unsecured Notes Claims Distribution Amount**") shall be the amounts of principal and accrued interest under the Unsecured Notes Indenture owing up to the Effective Date of the Plan or the date of distribution of the proceeds of sale of any of the Petitioner Parties' assets, unless the amounts of such Claims are otherwise agreed to in writing by the Petitioner Parties and the Unsecured Notes Indenture Trustee, after consultation with the Initial Supporting Unsecured Noteholders, in which case such

agreement shall govern or, if no agreement is reached the Unsecured Notes Claims Distribution Amount shall be determined by the Court. If the Unsecured Notes Indenture Trustee, after consultation with the Initial Supporting Unsecured Noteholders, advises the Petitioner Parties and the Monitor in writing (within ten (10) Business Days of receipt of the Unsecured Noteholder Claims Notice) that it cannot confirm the Unsecured Notes Claims Voting Amount, such amount shall be determined by the Court for voting purposes only, unless the amounts of such Claims are otherwise agreed to in writing by the Petitioner Parties and the Unsecured Notes Indenture Trustee, in which case such agreement shall govern. The Claims pertaining to the Unsecured Notes Claims Distribution Amount, as determined in accordance with this paragraph 11, shall be Allowed Claims. For greater certainty, to the extent that any Unsecured Noteholder wishes to assert a Claim against any of the Petitioner Parties and/or any Director and/or Officer, other than for principal and accrued interest owing under the Unsecured Notes, such Unsecured Noteholder shall be required to file a Proof of Claim in accordance with paragraph 20 hereof.

CLAIMS PROCEDURE FOR FIRST LIEN NOTEHOLDERS

12. The Petitioner Parties and the Monitor shall not be required to send Claims Packages to the First Lien Noteholders and neither the First Lien Noteholders nor the First Lien Notes Indenture Trustee shall be required to file Proofs of Claim in respect of their Claims pertaining to principal or accrued interest owing under the First Lien Notes. Within five (5) Business Days of the date of this Claims Procedure Order, the Petitioner Parties shall send to the First Lien Notes Indenture Trustee (as agent for the First Lien Noteholders), the Monitor and the Steering Group a notice (the "**First Lien Noteholder Claims Notice**") stating the amounts of principal and accrued interest owing up to the Meeting Date directly by Catalyst under the First Lien Notes Indentures and by the other Petitioner Parties under the guarantees executed by such other Petitioner Parties in respect of the First Lien Notes (the "**First Lien Notes Claims Voting Amount**"). Within ten (10) Business Days of receipt of the First Lien Noteholder Claims Notice, the First Lien Notes Indenture Trustee after consultation with the Steering Group shall advise the Petitioner Parties and the Monitor in writing whether the First Lien Notes Claims Voting

Amount is accurate. If the First Lien Notes Claims Voting Amount is confirmed by the First Lien Notes Indenture Trustee after consultation with the Steering Group, or in the absence of any response by the First Lien Notes Indenture Trustee or the Steering Group (if the First Lien Notes Indenture Trustee does not respond) within ten (10) Business Days of receipt of the First Lien Noteholder Claims Notice, the First Lien Notes Claims Voting Amount shall be deemed to be the amounts of principal and accrued interest owing directly by Catalyst under the applicable First Lien Notes Indenture and by the other Petitioner Parties under the guarantees executed by such other Petitioner Parties in respect of the First Lien Notes solely for the purpose of voting on any Plan; *provided, however,* that, for the purposes of distribution under any Plan or distribution from the proceeds of sale of any of the Petitioner Parties' assets, or otherwise from the Petitioner Parties or anyone else on behalf of the Petitioner Parties the total amounts owing directly by Catalyst and by the other Petitioner Parties under the guarantees executed by such other Petitioner Parties in respect of the First Lien Notes (the "**First Lien Notes Distribution Amount**") shall be the amounts of principal and accrued interest under the First Lien Notes Indenture owing up to the Effective Date of the Plan or the date of distribution of the proceeds of sale of such Petitioner Parties' assets as applicable, unless the amounts of such Claims are otherwise agreed to in writing by the Petitioner Parties and the First Lien Notes Indenture Trustee (after consultation with the Steering Group), in which case such agreement shall govern or, if no agreement is reached the First Lien Note Distribution Amount shall be determined by the Court. If the First Lien Notes Indenture Trustee, after consultation with the Steering Group, advises the Petitioner Parties and the Monitor in writing (within ten (10) Business Days of receipt of the First Lien Noteholder Claims Notice) that it cannot confirm the First Lien Notes Voting Amount, such amount shall be determined by the Court for voting purposes only, unless the amounts of such Claims are otherwise agreed to in writing by the Petitioner Parties and the First Lien Notes Indenture Trustee after consultation with the Steering Group, in which case such agreement shall govern. The Claims pertaining to the First Lien Notes Distribution Amount, as determined in accordance with this paragraph 12, shall be Allowed Claims, and will be distributed as provided for under the terms of the Plan. For greater certainty, to the extent that any First Lien Noteholder wishes to assert a Claim

against any of the Petitioner Parties and/or any Director and/or Officer, other than for principal and accrued interest owing under the First Lien Notes, such First Lien Noteholder shall be required to file a Proof of Claim in accordance with paragraph 20 hereof.

NOTICE OF CLAIMS

13. Subject to paragraphs 11 and 12 hereof, forthwith after the date of this Claims Procedure Order, and in any event within three (3) Business Days following the date of this Claims Procedure Order, the Monitor shall cause a Claims Package to be sent to: (a) each Creditor with a Claim as evidenced by the books and records of the Petitioner Parties as of the Commencement Date in accordance with paragraph 36 hereof, (b) each counter-party to any contract or agreement entered into prior to the Commencement Date, which a Petitioner Party has advised the Monitor has received a Notice of Disclaimer or Resiliation from such Petitioner Party prior to the date of this Claims Procedure Order, and (c) each party listed in the Amendment of Consolidated List Required Pursuant to Fed. R. Bankr. P. 1007(a)(4), filed with the U.S. Court on January 31, 2012, in each case to the address of such Creditor or counter-party set out in the applicable Petitioner Party's records. Any Notice of Disclaimer or Resiliation delivered to a Person after the date of this Claims Procedure Order shall be accompanied by a Claims Package. A Claim Amount Notice shall be included in a Claims Package if such Claim Amount Notice is provided to the Monitor by the Petitioner Parties prior to the Monitor sending such Claims Package. The Monitor shall not be required to send a Claims Package to any pension plan beneficiary, pension plan administrator or any current or former employee.

14. Forthwith after the date of this Claims Procedure Order, and in any event within four (4) Business Days following the date of this Claims Procedure Order, the Monitor shall cause the Newspaper Notice to be published for one (1) Business Day in *The National Post*, the *Victoria Times Colonist*, the *Vancouver Sun* and *The Wall Street Journal*.

15. Forthwith after the date of this Claims Procedure Order, and in any event within two (2) Business Days following the date of this Claims Procedure Order, the Monitor

shall post on the Monitor's Website a copy of this Claims Procedure Order, a blank Proof of Claim form, the Instruction Letter and a blank Notice of Dispute form.

16. To the extent that any Creditor requests documents relating to the Claims Procedure prior to the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, the Monitor shall forthwith cause a Claims Package to be sent to the Creditor, direct the Creditor to the documents posted on the Monitor's Website, and otherwise respond to the request relating to the Claims Procedure as may be appropriate in the circumstances.

17. Subject to further order of the Court, any Notice of Disclaimer or Resiliation issued by the Petitioner Parties must be issued by the Petitioner Parties at least fifteen (15) days prior to a scheduled Meeting, if any, or any adjournment thereof.

NOTICE SUFFICIENT

18. The forms of Instruction Letter, Proof of Claim, Notice of Revision or Disallowance, Notice of Dispute and Newspaper Notice substantially in the forms attached to this Claims Procedure Order as **Schedules "D", "E", "F", "G" and "H"**, respectively, are hereby approved. Despite the foregoing, the Petitioner Parties and the Monitor may, from time to time, make minor changes to such forms as the Petitioner Parties and the Monitor consider necessary or desirable.

19. Publication of the Newspaper Notice, the sending to the Creditors of a Claims Package in accordance with this Claims Procedure Order, and completion of the other requirements of this Claims Procedure Order shall constitute good and sufficient service and delivery of notice of this Claims Procedure Order, the Claims Bar Date and the Restructuring Claims Bar Date on all Persons who may be entitled to receive notice and who may wish to assert a Claim, and no other notice or service need be given or made and no other document or material need be sent to or served upon any Person in respect of this Claims Procedure Order.

**FILING PROOFS OF CLAIM FOR CLAIMS OTHER THAN RESTRUCTURING
CLAIMS**

20. Subject to paragraphs 11, 12, 22 and 24 hereof, any Creditor who wishes to assert a Claim (other than a Restructuring Claim) against any of the Petitioner Parties and/or any Director and/or Officer shall file a Proof of Claim with the Monitor in the manner set out in paragraph 37 hereof so that the Proof of Claim is received by the Monitor by no later than the Claims Bar Date.

21. Subject to paragraphs 11, 12, 22 and 24 hereof, any Person that does not file a Proof of Claim as provided for in paragraph 20 hereof so that such Proof of Claim is received by the Monitor on or before the Claims Bar Date, or such later date as the Monitor and the Petitioner Parties, with the consent of the Majority Initial Supporting Noteholders in consultation with the Initial Supporting Unsecured Noteholders, may agree in writing or the Court may otherwise direct, shall:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any Claim against any of the Petitioner Parties and/or any of the Directors and/or Officers and all such Claims shall be forever extinguished;
- (b) not be permitted to vote on the Plan on account of such Claim;
- (c) not be permitted to participate in any distribution under any Plan, from the proceeds of any sale of the Petitioner Parties' assets, or otherwise on account of such Claim(s); and
- (d) not be entitled to receive further notice in respect of the Claims Procedure, these CCAA Proceedings or the Meetings.

22. Notwithstanding paragraphs 20 and 21 hereof, any Creditor who receives a Claim Amount Notice and who does not dispute the Claim as set forth in the Claim Amount Notice, is not required to file a Proof of Claim by the Claims Bar Date. If a Creditor who receives a Claim Amount Notice does not file a Proof of Claim by the Claims Bar Date,

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then such Creditor's Claim as set out in the Claim Amount Notice shall be an Allowed Claim for voting and distribution purposes. Any Creditor who receives a Claim Amount Notice and wishes to dispute the amount set out therein shall file a Proof of Claim with the Monitor in accordance with paragraph 20 hereof.

23. Notwithstanding anything contained in this Claims Procedure Order, Unaffected Claims shall not be extinguished or affected by this Claims Procedure Order and, for greater certainty, paragraph 21 shall not apply to the Unaffected Claims.

FILING PROOFS OF CLAIM FOR RESTRUCTURING CLAIMS

24. Notwithstanding paragraphs 20 and 21 hereof, any Creditor who wishes to assert a Restructuring Claim against any of the Petitioner Parties and/or any Director and/or Officer shall file a Proof of Claim with the Monitor in the manner set out in paragraph 37 hereof so that the Proof of Claim is received by the Monitor by no later than the Restructuring Claims Bar Date. All other dates contained herein (other than the Claims Bar Date), shall apply equally to any Restructuring Claims.

25. Any Person that does not file a Proof of Claim in respect of a Restructuring Claim as provided for in paragraph 24 hereof so that such Proof of Claim is received by the Monitor on or before the Restructuring Claims Bar Date, or such later date as the Monitor and the Petitioner Parties, in consultation with the Initial Supporting Noteholders, may agree in writing or the Court may otherwise direct, shall:

- (a) be and is hereby forever barred, estopped and enjoined from asserting or enforcing any Restructuring Claim against any of the Petitioner Parties and/or any of the Directors and/or Officers and all such Restructuring Claims shall be forever extinguished;
- (b) not be permitted to vote on the Plan on account of such Restructuring Claim(s);

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- (c) not be permitted to participate in any distribution under any Plan, from the proceeds of any sale of the Petitioner Parties' assets, or otherwise on account of such Restructuring Claim(s); and
- (d) not be entitled to receive further notice in respect of the Claims Procedure, these CCAA Proceedings or the Meetings (unless such Person is also a Creditor with a Claim other than such Restructuring Claim entitling such Person to further notice in these proceedings).

ADJUDICATION OF CLAIMS

26. The Monitor shall provide the Petitioner Parties' counsel with copies of all Proofs of Claim and Notices of Dispute filed with the Monitor pursuant to the Claims Procedure. The Monitor shall grant the Petitioner Parties, their legal counsel and legal counsel for the Initial Supporting Noteholders access to a database to be created by the Monitor, which includes, among other things: (a) a regularly updated claims register, (b) electronic copies of all Proofs of Claim filed with the Monitor, (c) electronic copies of all Notices of Revision or Disallowance issued by the Monitor and/or the Petitioner Parties, and (d) electronic copies of all Notices of Dispute filed with the Monitor.

27. The Monitor, in consultation with the Petitioner Parties, shall review all Proofs of Claim received on or before the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, and shall accept, revise or disallow each Claim as set out therein. If the Petitioner Parties wish to revise or disallow a Claim, the Petitioner Parties and/or the Monitor shall, by no later than ten (10) days after the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, or such other date as may be agreed to by the Monitor, send such Creditor a Notice of Revision or Disallowance advising that the Creditor's Claim as set out in its Proof of Claim has been revised or disallowed and the reasons therefore. If neither the Petitioner Parties nor the Monitor send a Notice of Revision or Disallowance to a Creditor by such date or such other date as may be agreed to by the Monitor and the Creditor, the Claim set out in the applicable Proof of Claim shall be an Allowed Claim for voting and/or distribution purposes. Unless otherwise agreed to by the Petitioner Parties and the Monitor or ordered by the Court, all Claims set

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out in Proofs of Claim that are filed after the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, are deemed to be disallowed and the Petitioner Parties and the Monitor need not deliver a Notice of Revision or Disallowance in respect of such Claim.

28. Any Creditor who is sent a Notice of Revision or Disallowance pursuant to paragraph 26 hereof and wishes to dispute such Notice of Revision or Disallowance shall deliver a completed Notice of Dispute to the Monitor by no later than 5:00 p.m. on the day which is seven (7) days after the date of the applicable Notice of Revision or Disallowance or such other date as may be agreed to by the Monitor. If a Creditor fails to deliver a Notice of Dispute by such date, the Claim set out in the applicable Notice of Revision or Disallowance, if any, shall be an Allowed Claim for voting and/or distribution purposes.

29. Upon receipt of a Notice of Dispute, the Monitor, in consultation with the Petitioner Parties, may: (i) attempt to consensually resolve the disputed Claim with the Creditor, (ii) deliver a Dispute Package to a Claims Officer appointed in accordance with the Claims Procedure, or (iii) bring a motion before the Court in these proceedings to determine the disputed Claim. If the Petitioner Parties and the Creditor consensually resolve the disputed Claim, such Claim (as resolved) shall be an Allowed Claim. If a Claim is referred under this paragraph to a Claims Officer or to the Court, the Claims Officer or the Court, as applicable, shall resolve the dispute between the Petitioner Parties and such Creditor as soon as practicable.

CLAIMS OFFICER

30. The Petitioner Parties, should they consider it necessary or desirable to do so, with the concurrence of the Monitor and in consultation with the Initial Supporting Noteholders, are authorized and empowered, but not obligated, to appoint a Claims Officer under such terms as may be approved by the Monitor and to enter into an agreement with a Claims Officer fixing reasonable remuneration of the Claims Officer as the Monitor deems reasonable and appropriate. For greater certainty, the Petitioner

Parties are authorized to appoint more than one Claims Officer should the Monitor deem such appointments reasonable and appropriate.

31. Subject to the discretion of the Court, a Claims Officer shall determine the validity and amount of disputed Claims in accordance with the Claims Procedure and to the extent necessary may determine whether any Claim or part thereof constitutes an Affected Claim. A Claims Officer shall determine all procedural matters which may arise in respect of his or her determination of these matters, including the manner in which any evidence may be adduced.

32. Subject to the terms hereof, a Claims Officer shall be entitled to reasonable compensation for the performance of his or her obligations set out in this Claims Procedure Order and any disbursements incurred in connection therewith. The fees and expenses of the Claims Officer shall be borne by the Petitioner Parties and shall be paid by the Petitioner Parties forthwith upon receipt of each invoice tendered by a Claims Officer.

33. Upon receipt of a Creditor's Notice of Dispute concerning the value of a Creditor's Claim, the Monitor may schedule, and cause to be conducted before the Claims Officer, a hearing to determine the nature and/or amount of such Creditor's Claim for voting and/or distribution purposes, and the Claims Officer shall as soon as practicable after the hearing, notify the Petitioner Parties, the Monitor and the Creditor of his or her determination (the "Claims Officer's Determination").

34. A Petitioner Party or a Creditor may, within three (3) Business Days of notification of a Claims Officer's Determination in respect of a Claim, appeal such determination to the Court by serving on the other party and filing with the Court a Notice of Application and supporting affidavit material, and the appeal shall be initially returnable within five (5) Business Days of the filing of such notice of appeal, such appeal to be an appeal based on the record before the Claims Officer and not a hearing de novo. If no party appeals the determination of a Claim by a Claims Officer within such time, the Creditor's Claim, as determined by the Claims Officer, shall be an Allowed Claim, the determination made by the Claims Officer shall be final and binding upon the

relevant Petitioner Party(ies), the Monitor and the Creditor, and there shall be no further right of appeal, review or recourse to the Court from the Claims Officer's determination of such Claim.

NOTICE OF TRANSFEREES

35. Subject to the terms of the Meetings Order and the Plan, if, after the Commencement Date, the holder of a Claim (other than an Unsecured Notes Claim or First Lien Notes Claim) transfers or assigns the whole of such Claim to another Person, neither the Monitor nor the Petitioner Parties shall be obligated to give notice or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual written notice of such transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received and acknowledged by the relevant Petitioner Party and the Monitor in writing and thereafter such transferee or assignee shall for the purposes hereof constitute the "Creditor" in respect of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with the Claims Procedure prior to receipt and acknowledgement by the relevant Petitioner Party and the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any rights of set-off to which a Petitioner Party may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such person to any of the Petitioner Parties. Reference to a transfer in this Claims Procedure Order includes a transfer or assignment whether absolute or intended as security.

SERVICE AND NOTICES

36. The Petitioner Parties and the Monitor may, unless otherwise specified by this Claims Procedure Order, serve and deliver the Claims Package, any letters, notices or other documents to Creditors or any other interested Person by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to such Persons at their respective addresses or contact information as last shown on the

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records of the Petitioner Parties or set out in such Creditor's Proof of Claim. Any such service and delivery shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing within British Columbia, the fifth Business Day after mailing within Canada (other than within British Columbia), and the seventh Business Day after mailing internationally; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by electronic transmission, by 5:00 p.m. on a Business Day, on such Business Day and if delivered after 5:00 p.m. or other than on a Business Day, on the following Business Day.

37. Any Proof of Claim, Notice of Dispute or other notice or communication required to be provided or delivered by a Creditor to the Monitor or the Petitioner Parties under this Claims Procedure Order, shall be in writing in substantially the form, if any, provided for in this Claims Procedure Order and will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery, facsimile transmission or email addressed to:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604.806.7070
Fax: 604.806.7806
Email: catalystclaims@ca.pwc.com

Any such notice or communication delivered by a Creditor shall be deemed to be received upon actual receipt thereof by the Monitor before 5:00 p.m. (prevailing Pacific time) on a Business Day or, if delivered after 5:00 p.m. (prevailing Pacific time), on the next Business Day.

38. If during any period which notice or other communications are being given pursuant to this Claims Procedure Order a postal strike or postal work stoppage of general application should occur, such notice or other communications sent by ordinary mail and then not received shall not, absent further Order of this Court, be effective and notices and other communications given hereunder during the course of any such postal

strike or work stoppage of general application shall only be effective if given by courier, personal delivery, facsimile transmission or email in accordance with this Claims Procedure Order.

39. The Petitioner Parties are hereby authorized and directed to file and serve this Claims Procedure Order pursuant to the terms of the Order Granting Final Relief for Recognition of a Foreign Main Proceeding Pursuant to §§ 105(a), 1517, 1519, 1520, and 1521, as entered by the U.S. Court on March 5, 2012.

40. In the event this Claims Procedure Order is later amended by further Order of the Court after a hearing on at least two (2) Business Days notice to the Service List, the Petitioner Parties or the Monitor may post such further Order on the Monitor's Website and serve such further Order on the Service List, and such posting and service shall constitute adequate notice to Creditors of such amended claims procedure.

MISCELLANEOUS

41. Notwithstanding any other provisions of this Claims Procedure Order, the solicitation by the Monitor or the Petitioner Parties of Proofs of Claim, and the filing by any Creditor of any Proof of Claim shall not, for that reason only, grant any Person standing in these CCAA Proceedings or rights under any proposed Plan.

42. For greater certainty, nothing in this Claims Procedure Order shall operate to derogate or affect the exclusive jurisdiction of the Tax Court of Canada to hear appeals and references arising under certain legislation pursuant to section 12 of the *Tax Court of Canada Act*, R.S.C. 1985, c.T-2, as amended.

43. Nothing in this Claims Procedure Order shall constitute or be deemed to constitute an allocation or assignment of Claims or Unaffected Claims by the Petitioner Parties into particular affected or unaffected classes for the purpose of a Plan.

44. The Claims Bar Date and the Restructuring Claims Bar Date, and the amount and status of every Allowed Claim, as determined under the Claims Procedure, including any determination as to the nature, amount, value, priority or validity of any Claim, including

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any secured claim, shall continue in full force and effect and be final for all purposes (except as expressly stated in any Notice of Disallowance or Revision or settlement or Claims Officer's Determination or order of the Court), including in respect of any Plan and voting thereon (unless provided for otherwise in any Order of the Court), and, including for any distribution made to Creditors of any of the Petitioner Parties, whether in these CCAA Proceedings or in any of the proceedings authorized by this Court or permitted by statute, including a receivership proceeding or a bankruptcy affecting any of the Petitioner Parties.

45. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal; regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America (including, without limitation, the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Claims Procedure Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to (i) make such orders and to provide such assistance to the Petitioner Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Claims Procedure Order, (ii) grant representative status to any of the Petitioner Parties, and to Catalyst on behalf of any or all of the Petitioner Parties, in any foreign proceeding, and (iii) assist the Petitioner Parties, Catalyst, the Monitor and the respective agents of each of the foregoing in carrying out the terms of this Claims Procedure Order.

46. The Monitor (i) in carrying out the terms of this Claims Procedure Order, shall have all of the protections given to it by the CCAA and the Amended and Restated Initial Order or as an officer of this Court, including the stay of proceedings in its favour, (ii) shall incur no liability or obligation as a result of the carrying out of its obligations under this Claims Procedure Order, (iii) shall be entitled to rely on the books and records of the Petitioner Parties, and any information provided by the Petitioner Parties, all without independent investigations, and (iv) shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

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47. Notwithstanding the terms of this Claims Procedure Order, the Petitioner Parties and the Monitor may apply to this Court from time to time for directions from this Court with respect to this Claims Procedure Order, including the Claims Procedure and the schedules to this Claims Procedure Order, or for such further Order or Orders as either of them may consider necessary or desirable to amend, supplement or replace this Claims Procedure Order, including any schedule to this Claims Procedure Order.

48. Notwithstanding anything to the contrary herein and not including the First Lien Notes Claims and the Unsecured Notes Claims:

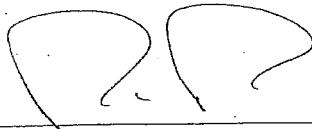
- (a) a Petitioner Party may (with the consent of the Monitor) at any time refer a Claim for resolution to the Claims Officer or the Court for any purpose where in the Petitioner Party's discretion such a referral is preferable or necessary for the resolution of the valuation of the Claim for voting and/or distribution purposes;
- (b) a Petitioner Party may (with the consent of the Monitor) in writing and at any time, accept the amount of a Claim for voting purposes without prejudice to the right of the Petitioner Party to contest liability of the Claim for distribution purposes; and
- (c) a Petitioner Party may (with the consent of the Monitor) in writing and at any time, settle and resolve any disputed Claims.

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APPROVAL

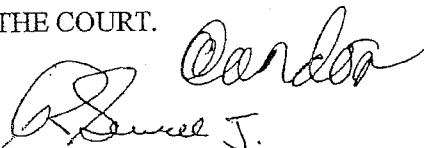
49. Endorsement of this Claims Procedure Order by counsel appearing on this application is hereby dispensed with.

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



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

BY THE COURT.



R. Samuel J.

Registrar



Schedule "A"**LIST OF ADDITIONAL PETITIONERS**

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

Schedule "B"

Counsel Name	Name of Party
Lance Williams	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner Rob Chadwick	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Chris Ramsay	A Representative Group of 2016 Noteholders
William Skelly George Benchetrit (by telephone)	Wilmington Trust, National Association
Chris Simard	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan	Catalyst Salaried Employees & Pensioner Committee
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Heather Ferris Marc Wasserman	Board of Directors of Catalyst
Orestes Pasparakis (by telephone)	Wells Fargo Bank NA
Brent Johnston Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Elizabeth Pillon (by telephone) Lisa Hiebert	Canexus Corp and Casco Inc.
Kendall Andersen	Tolko Industries Ltd. and BC Hydro
Tim Timberg	HMTQ in Right of Canada
David Hatter Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Sebastien Anderson	United Steelworkers International and USW Local 2688

Schedule "C"

DEFINITIONS

- (a) "**ABL Facility**" means the revolving asset based loan facility issued pursuant to an amended and restated credit agreement dated as of May 31, 2011, by JP Morgan Securities LLC and CIBC Asset-Based Lending, Inc.;
- (b) "**ABL Facility Claims**" means all outstanding obligations owed to lenders under the ABL Facility;
- (c) "**Allowed Claim**" means the amount, status and/or validity of the Claim of a Creditor finally determined in accordance with the Claims Procedure which shall be final and binding for voting and/or distribution purposes under the Plan or otherwise. Claims of Noteholders in respect of any Claim pertaining to principal or interest accrued under the Notes will be "finally determined" and become Allowed Claims in accordance with paragraphs 10 and 11 hereof. Any other Claim will be "finally determined" and become an Allowed Claim in accordance with the Claims Procedure if:
 - (i) the Creditor was sent a Claim Amount Notice by the Monitor and the Creditor does not file a Proof of Claim by the Claims Bar Date;
 - (ii) a Creditor files a Proof of Claim by the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, and the Monitor has not sent a Notice of Revision or Disallowance by the deadline set out in paragraph 26 of this Claims Procedure Order;
 - (iii) the Monitor has sent the Creditor a Notice of Revision or Disallowance in accordance with the Claims Procedure and the Creditor has not sent a Notice of Dispute in response by the deadline set out in paragraph 28 of this Claims Procedure Order;

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- (iv) the Creditor sent a Notice of Dispute by the deadline set out in paragraph 28 and the Petitioner Parties and Creditor have consensually resolved the disputed Claim;
- (v) a Claims Officer has been appointed with respect to the Claim, the Claims Officer has issued a Claims Officer's Determination with respect to the Claim, and the time within which either party may file an appeal of such Claims Officer's Determination has expired and no appeal has been filed; or
- (vi) the Court has made a determination with respect to the Claim and no appeal or application for leave to appeal therefrom has been taken or served on either party, or if any appeal(s) or application(s) for leave to appeal or further appeal have been taken therefrom or served on either party, any (and all) such appeal(s) or application(s) have been dismissed, determined or withdrawn;

(d) "**Amended and Restated Initial Order**" means the Order of the Court dated January 31, 2012, as amended and restated on February 3, 2012 and as subsequently amended by further order of the Court, and as may be further amended, supplemented or varied by the Court;

(e) "**Business Day**" means any day other than a Saturday, Sunday or a day on which banks in Vancouver, British Columbia, Toronto, Ontario, or New York, New York are authorized or obligated by applicable law to close or otherwise are generally closed;

(f) "**Catalyst**" means Catalyst Paper Corporation;

(g) "**CCAA**" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

(h) "**CCAA Charges**" means, collectively, the Administration Charge, the DIP Lenders' Charge, the Critical Suppliers' Charge, the D&O Charge,

the Financial Advisor Charge, the KERP Charge, and any other charge over the Debtors' assets created by other Order of the Court and included in "Charges" (as such terms are defined in the Amended and Restated Initial Order and as such charges may be amended, modified or varied by further Order of the Court);

- (i) "**CCAA Proceedings**" means the CCAA proceedings commenced by the Petitioners, being British Columbia Supreme Court Action No. S120712, on the Commencement Date pursuant to the Amended and Restated Initial Order;
- (j) "**Claim**" means (i) any Pre-Commencement Claim, (ii) any Restructuring Claim; or (iii) any Directors/Officers Claim; provided, however, that, in each case, a "Claim" shall not include an Unaffected Claim;
- (k) "**Claim Amount Notice**" means, except with respect to the First Lien Notes and the Unsecured Notes, a form of notice which the Monitor may include with any Claims Package setting out the Petitioner Parties' determination of such Creditor's Claim;
- (l) "**Claims Bar Date**" means April 18, 2012 at 5:00 p.m. (prevailing Pacific time), or such other date as may be ordered by the Court.
- (m) "**Claims Officer**" means the individual or individuals appointed by the Petitioner Parties pursuant to paragraph 30 hereof;
- (n) "**Claims Officer's Determination**" has the meaning given to it in paragraph 33 hereof;
- (o) "**Claims Package**" means the document package which includes a copy of (i) the Instruction Letter; (ii) a blank Proof of Claim; (iii) a Claim Amount Notice (if applicable); and (iv) such other materials as the Monitor, in consultation with the Petitioner Parties, considers necessary or appropriate;

- (p) "**Claims Procedure**" means the call for claims to be administered by the Monitor, in consultation with the Petitioner Parties, pursuant to the terms of this Claims Procedure Order;
- (q) "**Claims Procedure Order**" means this Order establishing a claims procedure;
- (r) "**Class A Notes**" means the 11% senior secured notes due December 15, 2016, in the principal amount of US\$280,434,000, issued by Catalyst pursuant to the Class A Notes Indenture;
- (s) "**Class A Notes Indenture**" means that certain indenture dated as of March 10, 2010, among Catalyst, the guarantors party thereto, and the First Lien Notes Indenture Trustee, as amended, modified or supplemented prior to the date hereof;
- (t) "**Class B Notes**" means the Class B 11% senior secured notes due December 15, 2016, in the principal amount of US\$110,000,000, issued by Catalyst pursuant to the Class B Notes Indenture;
- (u) "**Class B Notes Indenture**" means that certain indenture dated as of May 19, 2010, among Catalyst, the guarantors party thereto, and the First Lien Notes Indenture Trustee, as amended, modified or supplemented prior to the date hereof;
- (v) "**Commencement Date**" means January 31, 2012;
- (w) "**Convenience Claim**" means a General Unsecured Claim equal to or less than CAD \$10,000;
- (x) "**Court**" means the Supreme Court of British Columbia;
- (y) "**Creditor**" means any Person having a Claim and includes, without limitation, the transferee or assignee of a transferred Claim that is recognized as a Creditor in accordance with paragraph 35 hereof, or a

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trustee, liquidator, receiver, manager, or other Person acting on behalf of such Person;

- (z) "**Crown Priority Claim**" means any Claim imposed by statute and referred to in Section 3.9 of the Plan;
- (aa) "**DIP Agent**" means JPMorgan Chase Bank, N.A., in its capacity as administrative agent under the DIP Credit Agreement;
- (bb) "**DIP Credit Agreement**" means that certain agreement dated as of February 7, 2012, among the Petitioner Parties, the DIP Agent, and the DIP Lenders;
- (cc) "**DIP Lenders**" means the DIP Agent as lender and the other lenders from time to time party to the DIP Credit Agreement;
- (dd) "**Director**" means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director of any one or more of the Petitioner Parties;
- (ee) "**Directors/Officers Claim**" means any right or claim of any Person against one or more of the Directors and/or Officers that relates to a Pre-Commencement Claim or a Restructuring Claim, howsoever arising, for which the Directors and/or Officers are by statute or otherwise by law liable to pay in their capacity as Directors and/or Officers or in any other capacity;
- (ff) "**Dispute Package**" means, with respect to any Claim, a copy of the related Proof of Claim, Notice of Revision or Disallowance and Notice of Dispute;
- (gg) "**First Lien Noteholder Claims Notice**" has the meaning given to it in paragraph 11 hereof;

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- (hh) **"First Lien Noteholders"** means all holders of First Lien Notes, including where applicable beneficial holders of First Lien Notes;
- (ii) **"First Lien Noteholders Meeting"** means the meeting of the First Lien Noteholders to be held on the Meeting Date for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meetings Order;
- (jj) **"First Lien Notes"** means, collectively, the Class A Notes and the Class B Notes;
- (kk) **"First Lien Notes Claims"** means all Claims for amounts due in respect of the First Lien Notes, including without limitation outstanding principal and the First Lien Notes Unpaid Interest (as defined in the Plan);
- (ll) **"First Lien Notes Claims Voting Amount"** has the meaning given to it in paragraph 11 hereof;
- (mm) **"First Lien Notes Claims Distribution Amount"** has the meaning given to it in paragraph 11 hereof;
- (nn) **"First Lien Notes Indentures"** means the Class A Notes Indenture and the Class B Notes Indenture;
- (oo) **"First Lien Notes Indenture Trustee"** means, collectively, Wilmington Trust, National Association, in its capacity as trustee under the First Lien Notes Indentures;
- (pp) **"General Unsecured Claims"** means all Claims against any of the Petitioner Parties, including Convenience Claims, but not including Unsecured Notes Claims, that have not otherwise been satisfied through arrangements with the Petitioner Parties in accordance with the Amended and Restated Initial Order;

- (qq) **“General Unsecured Creditors”** means holders of General Unsecured Claims;
- (rr) **“includes”** means includes, without limitation, and **“including”** means including, without limitation;
- (ss) **“Initial Supporting First Lien Noteholders”** means each First Lien Noteholder who has executed the Restructuring and Support Agreement as of March 11, 2012, in respect of its First Lien Notes;
- (tt) **“Initial Supporting Noteholders”** means the Initial Supporting First Lien Noteholders and the Initial Supporting Unsecured Noteholders;
- (uu) **“Initial Supporting Unsecured Noteholders”** means each Unsecured Noteholder who has executed the Restructuring and Support Agreement as of March 11, 2012, in respect of its Unsecured Notes;
- (vv) **“Instruction Letter”** means the letter regarding completion of a Proof of Claim, which letter shall be substantially in the form attached hereto as Schedule “D”;
- (ww) **“Intercompany Claim”** means any Claim of a Petitioner Party against another Petitioner Party or of any wholly owned, direct or indirect non-Petitioner Party subsidiary of a Petitioner Party against a Petitioner Party;
- (xx) **“Lien”** means any valid and enforceable mortgage, charge, pledge, assignment by way of security, lien, hypothec, security interest, deemed trust or other encumbrance granted or arising pursuant to a written agreement or statute or otherwise created by law;
- (yy) **“Majority Initial Supporting Noteholders”** means a majority of the Noteholders who executed the Restructuring and Support Agreement as of March 11, 2012, where each such Noteholder will have one vote and a majority of votes will govern;

- (zz) "**Meeting Date**" means April 23, 2012;
- (aaa) "**Meetings**" means, collectively, the Unsecured Creditors Meeting and the First Lien Noteholders Meeting;
- (bbb) "**Meetings Order**" means the Order of the Court dated March 22, 2012 setting the Meeting Date, approving the procedures for the Meetings, and authorizing the dissemination of the documents related thereto;
- (ccc) "**Monitor**" means PricewaterhouseCoopers Inc., in its capacity as Court-appointed Monitor pursuant to the Amended and Restated Initial Order;
- (ddd) "**Monitor's Website**" means the Monitor's website located at www.pwc.com/car-catalystpaper;
- (eee) "**Newspaper Notice**" means the notice of the Claims Procedure to be published in the newspapers listed in paragraph 14 of this Claims Procedure Order, calling for any and all Claims of creditors against the Petitioner Parties, in substantially the form attached hereto as **Schedule H**;
- (fff) "**Noteholders**" means, collectively, the First Lien Noteholders and the Unsecured Noteholders;
- (ggg) "**Notice of Disclaimer or Resiliation**" means a written notice in any form issued on or after the Commencement Date by the Petitioner Parties, and copied to the Monitor, advising a Person of the restructuring, disclaimer, resiliation, termination or breach of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of this Claims Procedure Order;
- (hhh) "**Notice of Dispute**" means the notice that may be delivered by a Creditor who has received a Notice of Revision or Disallowance disputing such

Notice of Revision or Disallowance, which notice shall be substantially in the form attached hereto as **Schedule "G"**;

- (iii) "**Notice of Revision or Disallowance**" means the notice that may be delivered by the Monitor to a Creditor advising that the Monitor has revised or disallowed in whole or in part such Creditor's Claim as set out in its Proof of Claim, which notice shall be substantially the form attached hereto as **Schedule "F"**;
- (jjj) "**Officer**" means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer of any one or more of the Petitioner Parties;
- (kkk) "**Person**" means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status;
- (lll) "**Petitioner Parties**" means, collectively, the Petitioners and Catalyst Paper General Partnership;
- (mmm) "**Petitioners**" means, collectively, Catalyst and the other entities listed on Schedule "A" hereto;
- (nnn) "**Plan**" means the Plan of Compromise and Arrangement dated March 15, 2012 filed by the Petitioner Parties pursuant to the CCAA, as may be amended, varied or supplemented from time to time in accordance with the terms thereof;
- (ooo) "**Pre-Commencement Claim**" means any right or claim of any Person that may be asserted or made in whole or in part against the Debtors (or any of them), whether or not asserted or made, in connection with any

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indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, in existence on, or which is based on, an event, fact, act or omission which occurred in whole or in part prior to the Commencement Date, at law or in equity, by reason of the commission of a tort (intentional or unintentional), any breach of contract or other agreement (oral or written), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any reason whatsoever against any of the Debtors or any their property or assets, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims not referred to above that are or would be claims provable in bankruptcy had the Debtors (or any one of them) become bankrupt on the Commencement Date, and for greater certainty, includes any Tax Claim; *provided, however,* that "Pre-Commencement Claim" shall not include an Unaffected Claim or any contingent liabilities that may be crystallized in the future under any applicable environmental laws of British Columbia arising from the Debtors' operations and undertakings at Powell River, Port Alberni and Crofton, all situated in the Province of British Columbia;

(ppp) "**Proof of Claim**" means the form to be completed and filed by a Creditor setting forth its proposed Claim, which shall be substantially in the form attached hereto as **Schedule "E"**;

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- (qqq) "**Restructuring and Support Agreement**" means the Restructuring and Support Agreement, dated March 11, 2012, among Catalyst, certain of its Subsidiaries, and the Consenting Noteholders;
- (rrr) "**Restructuring Claim**" means any right or claim of any Person against the Petitioner Parties (or any one of them) in connection with any indebtedness, liability or obligation of any kind whatsoever owed by the Petitioner Parties (or any one of them) to such Person arising out of the restructuring, disclaimer, resiliation, termination, or breach on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of this Claims Procedure Order, and includes for greater certainty any right or claim of an employee of any of the Petitioner Parties arising from a termination of its employment after the Commencement Date; provided, however, that "Restructuring Claim" shall not include an Unaffected Claim;
- (sss) "**Restructuring Claims Bar Date**" means the later of (i) the Claims Bar Date; and (ii) 5:00 p.m. on the day that is ten (10) days after the date of the applicable Notice of Disclaimer or Resiliation; or such other date as may be ordered by the Court;
- (ttt) "**Steering Group**" means the steering group of the First Lien Noteholders;
- (uuu) "**Tax Claim**" means any Claim against the Petitioner Parties (or any of them) for any Taxes in respect of any taxation year or period ending on or prior to the Commencement Date, and in any case where a taxation year or period commences on or prior to the Commencement Date, for any Taxes in respect of or attributable to the portion of the taxation period commencing prior to the Commencement Date and up to and including the Commencement Date. For greater certainty, a Tax Claim shall include, without limitation, any and all Claims of any Taxing Authority in respect

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of transfer pricing adjustments and any Canadian or non-resident Tax related thereto;

(vvv) **"Taxing Authorities"** means Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of each and every province or territory of Canada and any political subdivision thereof, the Internal Revenue Service and any similar revenue or taxing authority of the federal or state governments of the United States of America, and any Canadian or foreign governmental authority, and **"Taxing Authority"** means any one of the Taxing Authorities;

(www) **"U.S. Court"** means the United States Bankruptcy Court for the District of Delaware;

(xxx) **"Unaffected Claim"** means, subject to further order of this Court,

- (i) any right or claim of any Person that may be asserted or made in whole or in part against the Petitioner Parties (or any of them) in connection with any indebtedness, liability or obligation of any kind which arose in respect of obligations first incurred on or after the Commencement Date (other than Restructuring Claims and Directors/Officers Claims) and any interest thereon, including any obligation of the Petitioner Parties toward creditors who have supplied or shall supply services, utilities, goods or materials or who have or shall have advanced funds to the Petitioner Parties on or after the Commencement Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds on or after the Commencement Date;
- (ii) any claim secured by any CCAA Charge;

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- (iii) that portion of a Claim arising from a cause of action for which the Petitioner Parties are covered by insurance, but only to the extent of such coverage;
- (iv) any ABL Facility Claim;
- (v) any Claim by the DIP Lenders arising under the DIP Credit Agreement;
- (vi) any Intercompany Claim;
- (vii) any Claim referred to in sections 6(3), 6(5) and 6(6) of the CCAA;
- (viii) any Crown Priority Claim against a Petitioner Party imposed by statute and referred to in Section 3.9 of the Plan;
- (ix) any claims with respect to reasonable fees and disbursements of counsel of any Petitioner Party, the Monitor, a Claims Officer, any Assistant (as defined in paragraph 5 of the Amended and Restated Initial Order), or any financial advisor retained by any of the foregoing, as approved by the Court to the extent required;
- (x) any Claim of any employee of the Petitioner Parties (or any of them) employed by the Petitioner Parties (or any of them) as of the Commencement Date, but only in respect of a claim for wages, including vacation pay and banked time;
- (xi) any Claim secured by a Lien other than the First Lien Notes Claims; and
- (xii) any Claim existing on the Commencement Date that has been satisfied, cured or rectified on or before the date of the Sanction Order;

(yyy) **"Unsecured Creditors"** means the Unsecured Noteholders and the General Unsecured Creditors;

(zzz) **"Unsecured Creditors Meeting"** means the meeting of the Unsecured Creditors to be held on the Meeting Date for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting;

(aaaa) **"Unsecured Noteholder Claims Notice"** has the meaning given to it in paragraph 11 hereof;

(bbbb) **"Unsecured Noteholders"** means all holders of Unsecured Notes, including where applicable beneficial holders of Unsecured Notes;

(cccc) **"Unsecured Notes"** means the 7 $\frac{3}{8}$ % senior notes due March 1, 2014, in the principal amount of \$250,000,000 issued by Catalyst pursuant to the Unsecured Notes Indenture;

(dddd) **"Unsecured Notes Claims"** means all Claims for amounts due in respect of the Unsecured Notes, including without limitation outstanding principal and the Unsecured Notes Unpaid Interest (as defined in the Plan);

(eeee) **"Unsecured Notes Claims Voting Amount"** has the meaning given to it in paragraph 11 hereof;

(ffff) **"Unsecured Notes Claims Distribution Amount"** has the meaning given to it in paragraph 11 hereof;

(gggg) **"Unsecured Notes Indenture"** means that certain indenture, dated as of March 23, 2004, among Catalyst, the guarantors party thereto and the Unsecured Notes Indenture Trustee, as trustee, as amended, modified or supplemented prior to the date hereof; and

(hhhh) **"Unsecured Notes Indenture Trustee"** means Wells Fargo Bank, National Association.

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Schedule "D"**FORM OF INSTRUCTION LETTER**

**INSTRUCTION LETTER
FOR THE CLAIMS PROCEDURE FOR CREDITORS OF CATALYST PAPER
CORPORATION AND THE OTHER ENTITIES LISTED BELOW
(hereinafter referred to collectively as the "Petitioner Parties")**

Catalyst Paper General Partnership
 Catalyst Pulp Sales Inc.
 Catalyst Pulp and Paper Sales Inc.
 Catalyst Paper Energy Holdings Inc.
 Catalyst Paper Recycling Inc.
 Catalyst Paper Holdings Inc.
 Pacifica Poplars Inc.
 Catalyst Paper (USA) Inc.

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

1. Claims Procedure

By order of the Supreme Court of British Columbia (the "Court") dated March 22, 2012 (as may be amended, restated or supplement from time to time, the "Claims Procedure Order"), in the proceeding commenced by the Petitioner Parties under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), the Petitioner Parties have been authorized to conduct a claims procedure (the "Claims Procedure"). A copy of the Claims Procedure Order, with all schedules, may be found on the Monitor's Website at www.pwc.com/cap-catalystpaper. Capitalized terms used in this letter, which are not defined in this letter shall have the meaning ascribed to them in the Claims Procedure Order.

This letter provides instructions for completing the Proof of Claim. A blank Proof of Claim form is included with this letter.

The Claims Procedure is intended for any Person asserting a Claim (other than an Unaffected Claim) of any kind or nature whatsoever against any of the Petitioner Parties and/or any of their Directors and/or Officers arising before the Commencement Date, and/or any Restructuring Claim arising on or after the Commencement Date as a result of a restructuring, disclaimer, resiliation, termination or breach by any of the Petitioner Parties on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of the Claims Procedure Order.

Noteholders are not required to submit a Proof of Claim in respect of any Claim pertaining to principal or accrued interest owing under the Notes. Any Noteholders who wish to assert a Claim other than for principal or accrued interest owing under the Notes must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of any

Claim which you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers.

Current employees of the Petitioner Parties are not required to submit a Proof of Claim in respect of any Claim pertaining to wages, including vacation pay and banked time due to them.

If a notice setting out the amount which the Petitioner Parties have determined to be the amount of your Claim (a "Claim Amount Notice") is enclosed with this letter, and you do not dispute the nature or amount of such Claim as set out in the Claim Amount Notice, you are not required to file a Proof of Claim. If a Claim Amount Notice is enclosed and you dispute the nature or amount of your Claim as set out in the Claim Amount Notice, you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of that portion of your Claim that exceeds the amount set out in the Claim Amount Notice. Any Creditor who receives a Claim Amount Notice and who does not file a Proof of Claim by the Claims Bar Date in accordance with paragraph 2 below is deemed to have accepted the nature and amount of such Claim, as set out in the applicable Claim Amount Notice.

If a Claim Amount Notice is not enclosed with this letter and you wish to file a Claim, you must file a Proof of Claim (as referenced in paragraph 2 below) to avoid the barring and extinguishment of any Claim which you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers.

If you have any questions regarding the Claims Procedure, please contact the Court-appointed Monitor at the address provided below.

All enquiries with respect to the Claims Procedure should be addressed to:

PricewaterhouseCoopers Inc.
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604 806 7070
Fax: 604 806 7806
Email: catalystclaims@ca.pwc.com

2. For Creditors Submitting a Proof of Claim

If you have not received a Claim Amount Notice, or you have received a Claim Amount Notice and you dispute the nature or amount of the Claim as set out in such Claim Amount Notice, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure that it is received by the Monitor by 5:00 p.m. (Prevailing Pacific time) on April 18, 2012 (the "Claims Bar Date"), to avoid the barring and extinguishment of any Claim (other than a Restructuring Claim) you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers in excess of any amount set out in the Claim Amount Notice enclosed herewith, if any.

To avoid the barring and extinguishment of any Restructuring Claim you may have against any of the Petitioner Parties and/or any of their Directors and/or Officers, you are required to file a Proof of Claim, in the form enclosed herewith, and ensure that it is received by the Monitor by the later of: (a) the Claims Bar Date, and (b) 5:00 p.m. (prevailing Pacific time) on the day which is ten (10) days after the date of the Notice of Disclaimer or Resiliation sent to you (the "Restructuring Claims Bar Date").

For the avoidance of doubt, any Claim or Restructuring Claim you may have against any of the Petitioner Parties must be filed in accordance with the procedures set forth herein. Proofs of Claim filed solely with the United States Bankruptcy Court, District of Delaware, are invalid, and failure to file an additional Proof of Claim with the Monitor pursuant to these procedures will lead to the consequences detailed below.

Additional Proof of Claim forms can be found on the Monitor's website at www.pwc.com/carcatalystpaper or obtained by contacting the Monitor at the address indicated above and providing particulars as to your name, address, facsimile number and e-mail address. Once the Monitor has this information, you will receive, as soon as practicable, additional Proof of Claim forms.

If you are submitting your Proof of Claim electronically, please submit it in one PDF file and ensure the name of the file is [legal name of creditor]poc.pdf.

UNLESS YOU ARE A HOLDER OF A CLAIM (1) ONLY FOR PRINCIPAL AND ACCRUED INTEREST OWING UNDER THE NOTES, OR (2) FOR WHICH YOU HAVE RECEIVED A CLAIM AMOUNT NOTICE THAT YOU DO NOT DISPUTE; IF A PROOF OF CLAIM IN RESPECT OF YOUR CLAIM IS NOT RECEIVED BY THE MONITOR BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE:

- (A) YOUR CLAIM SHALL BE FOREVER BARRED AND EXTINGUISHED AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A CLAIM AGAINST ANY OF THE PETITIONER PARTIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS;
- (B) YOU SHALL NOT BE PERMITTED TO VOTE ON THE PLAN OR ENTITLED TO ANY FURTHER NOTICE OR DISTRIBUTION UNDER THE PLAN, IF ANY;
- (C) YOU SHALL NOT BE ENTITLED TO ANY PROCEEDS OF SALE OF ANY OF THE PETITIONER PARTIES' ASSETS; AND
- (D) YOU SHALL NOT BE ENTITLED TO PARTICIPATE AS A CREDITOR IN THE CCAA PROCEEDINGS OF THE PETITIONER PARTIES.

Schedule "E"**FORM OF PROOF OF CLAIM****PROOF OF CLAIM****AGAINST CATALYST PAPER CORPORATION AND THE OTHER ENTITIES
LISTED BELOW****(hereinafter referred to collectively as the "Petitioner Parties")**

Catalyst Paper General Partnership
 Catalyst Pulp Sales Inc.
 Catalyst Pulp and Paper Sales Inc.
 Catalyst Paper Energy Holdings Inc.
 Catalyst Paper Recycling Inc.
 Catalyst Paper Holdings Inc.
 Pacifica Poplars Inc.
 Catalyst Paper (USA) Inc.

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

Please read the enclosed Instruction Letter carefully prior to completing this Proof of Claim. Defined terms not defined within this Proof of Claim form shall have the meaning ascribed thereto in the Claims Procedure Order dated March 22, 2012, as may be amended, restated or supplemented from time to time.

1. Particulars of Creditor

(a) Please complete the following (Full legal name should be the name of the original Creditor, regardless of whether an assignment of a Claim, or a portion thereof, has occurred prior to or following the Commencement Date.) and Full Mailing Address of the Creditor (the original Creditor, not the Assignee):

Full Legal Name:	
Full Mailing Address:	
Telephone Number:	
Facsimile Number:	
E-mail address:	
Attention (Contact Person):	

(b) Has the Claim been sold, transferred or assigned by the Creditor to another party (an "Assignee")?

Yes:

No: 2. **Particulars of Assignee(s) (If any):**

(a) Please complete the following if all or a portion of the Claim has been assigned, insert full legal name of assignee(s) of the Claim. If there is more than one assignee, please attach a separate sheet with the required information.):

Full Legal Name of Assignee(s):	
Full Mailing Address of Assignee(s):	
Telephone Number of Assignee(s):	
Facsimile Number of Assignee(s):	
E-mail address of Assignee(s):	
Attention (Contact Person):	

Proof of Claim:

I, _____ (*name of individual Creditor or Representative of corporate Creditor*), of _____ (*City, Province or State*) do hereby certify:

that I am a Creditor; OR

am _____ (*state position or title*) of _____ (*name of corporate Creditor*), which is a Creditor;

that I have knowledge of all the circumstances connected with the Claim referred to below;

that _____ (*name of applicable Petitioner Parties and/or Directors and/or Officers*) was and still is indebted to the Creditor as follows;

CLAIM (other than Restructuring Claim):

\$ _____ (*insert \$ value of Claim*)

RESTRUCTURING CLAIM:

\$ _____ (insert \$ value of
*Claim arising after the Commencement Date resulting from the
 restructuring, disclaimer, resiliation, termination or breach after
 the Commencement Date of any contract, employment agreement,
 lease or other agreement or arrangement of any nature
 whatsoever, whether written or oral);*

that the Creditor's Claim and the Creditor's invoices, statements and/or supporting documents attached are denominated in:

- [] Canadian Dollars
- [] U.S. Dollars
- [] Other: _____ (*stipulate other currency
 referenced*)

A. TOTAL CLAIM(S) \$ _____

(Note: Claims in a currency other than U.S. Dollars will be converted to U.S. Dollars at the noon spot rate of the Bank of Canada as at the Commencement Date, January 31, 2012. The reported US/CDN rate was USD\$1.0000:CAD\$10052.)

Nature of Claim:

(Check and complete appropriate category)

- A. UNSECURED CLAIM OF \$ _____. That in respect of this debt, no assets of any of the Petitioner Parties are pledged as security.
- B. SECURED CLAIM OF \$ _____. That in respect of this debt, assets of _____ (*insert name of applicable Petitioner Parties*) valued at \$ _____ are pledged to me as security, particulars of which are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

Particulars of Claims:

Other than as already set out herein, the particulars of the undersigned's total Claim and/or Restructuring Claim are attached.

(Provide all particulars of the claims and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the claims, name of any guarantor which has guaranteed the claims, and amount of invoices, particulars of all credits, discounts, etc. claimed, description of the security, if any, granted by the Petitioner Parties to the Creditor and estimated value of such security. Where a claim is

advanced against any Directors or Officers, please provide either a reference to a statutory authority for your claim or enclose a draft Notice of Civil Claim.)

Filing of Claims:

This Proof of Claim must be received by the Monitor by no later than 5:00 p.m. (prevailing Pacific time) on April 18, 2012 (the "Claims Bar Date") unless your claim is a Restructuring Claim.

Proofs of Claim for Restructuring Claims arising after the Commencement Date resulting from a restructuring, disclaimer, resiliation, termination, or breach after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, must be received by the Monitor by the later of: (a) the Claims Bar Date, and (b) by 5:00 p.m. (prevailing Pacific time) on the day which is 10 days after the date of the applicable Notice of Disclaimer or Resiliation (the "Restructuring Claims Bar Date").

FAILURE TO FILE YOUR PROOF OF CLAIM AS DIRECTED BY THE CLAIMS BAR DATE OR RESTRUCTURING CLAIMS BAR DATE, AS APPLICABLE, WILL RESULT IN YOUR CLAIM BEING FOREVER BARRED AND EXTINGUISHED, AND YOU WILL BE PROHIBITED FROM MAKING OR ENFORCING A CLAIM AGAINST ANY OF THE PETITIONER PARTIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS.

This Proof of Claim must be delivered by prepaid registered mail, personal delivery, e-mail, courier or facsimile transmission at the following addresses:

PricewaterhouseCoopers Inc.,
 Court-appointed Monitor of Catalyst Paper Corporation et al.
 250 Howe Street, Suite 700
 Vancouver, British Columbia V6C 3S7
 Attention: Patricia Marshall
 Telephone: 604.806.7070
 Fax: 604.806.7806
 Email: catalystclaims@ca.pwc.com

DATED this _____ day of _____, 2012.

Per: _____

Witness: _____

Print name of Creditor:

If Creditor is other than an individual, print name and title of authorized signatory

Name: _____

Title: _____

Schedule "F"**FORM OF NOTICE OF REVISION OR DISALLOWANCE**

**NOTICE OF REVISION OR DISALLOWANCE
OF CATALYST PAPER CORPORATION AND THE OTHER ENTITIES
LISTED BELOW**

(hereinafter referred to collectively as the "Petitioner Parties")

Catalyst Paper General Partnership
 Catalyst Pulp Sales Inc.
 Catalyst Pulp and Paper Sales Inc.
 Catalyst Paper Energy Holdings Inc.
 Catalyst Paper Recycling Inc.
 Catalyst Paper Holdings Inc.
 Pacifica Poplars Inc.
 Catalyst Paper (USA) Inc.

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

Full Legal Name of Creditor: _____

Reference #: _____

Pursuant to the order of the Supreme Court of British Columbia dated March 22, 2012 (as may be amended, restated or supplemented from time to time), PricewaterhouseCoopers Inc., in its capacity as Monitor of the Petitioner Parties, hereby gives you notice that the Petitioner Parties, in consultation with the Monitor, have reviewed your Proof of Claim and have revised or disallowed your Claim as follows:

	Proof of Claim as Submitted (\$CDN)	Revised Claim as Accepted (\$CDN)	Secured (\$CDN)	Unsecured (\$CDN)
Total Claim				

Reason for the Revision or Disallowance:

If you do not agree with this Notice of Revision or Disallowance please take notice of the following:

If you intend to dispute a Notice of Revision or Disallowance, you must deliver a Notice of Dispute, in the form attached hereto, by prepaid registered mail, personal delivery, e-mail (in PDF format), courier or facsimile transmission to the address indicated herein so that such Notice of Dispute is received by the Monitor by 5:00 p.m. (prevailing Pacific time) on ●, 2012 [being ten (10) days after the date of this Notice of Revision or Disallowance], or such other date as may be agreed to by the Monitor. The form of Notice of Dispute is attached to this Notice.

Where a Notice of Dispute is being submitted electronically, please submit one pdf file with the file named as follows: [insert legal name of creditor]poc.pdf.

If you do not deliver a Notice of Dispute by the time specified, the nature and amount of your Claim, if any, shall be as set out in this Notice of Revision or Disallowance for voting and/or distribution purposes.

Address for Service of Notices of Dispute:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604.806.7070
Fax: 604.806.7806
Email: catalystclaims@ca.pwc.com

**IF YOU FAIL TO TAKE ACTION WITHIN THE PRESCRIBED TIME PERIOD,
THIS NOTICE OF REVISION OR DISALLOWANCE WILL BE BINDING
UPON YOU.**

Dated at _____ this _____ day of _____, 2012.

PRICEWATERHOUSECOOPERS INC.
In its capacity as the Court-appointed Monitor
of Catalyst Paper Corporation et al.

Per: _____

[NAME]

Schedule "G"**FORM OF NOTICE OF DISPUTE**

NOTICE OF DISPUTE
OF CATALYST PAPER CORPORATION AND THE OTHER ENTITIES
LISTED BELOW
(hereinafter referred to collectively as the "Petitioner Parties")

Catalyst Paper General Partnership
 Catalyst Pulp Sales Inc.
 Catalyst Pulp and Paper Sales Inc.
 Catalyst Paper Energy Holdings Inc.
 Catalyst Paper Recycling Inc.
 Catalyst Paper Holdings Inc.
 Pacifica Poplars Inc.
 Catalyst Paper (USA) Inc.

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

Pursuant to the order of the Supreme Court of British Columbia dated March 22, 2012 (as may be amended, restated or supplemented from time to time), I/we hereby give you notice of my/our intention to dispute the Notice of Revision or Disallowance bearing Reference Number _____ and dated _____ issued by PricewaterhouseCoopers Inc., in its capacity as Monitor of the Petitioner Parties, in respect of my/our Claim.

Full Legal Name of Creditor: _____

	Reviewed Claim as Accepted (\$CDN)	Reviewed Claim as Disputed (\$CDN)	Secured (\$CDN)	Unsecured (\$CDN)
Total Claim				

Reasons for Dispute (attach additional sheet and copies of all supporting documentation if necessary):

Signature of Individual: _____

Date: _____

(Please print name): _____

Telephone Number: (____) _____

Facsimile Number: (____) _____

Email Address: _____

Full Mailing Address:

This form and supporting documentation is to be returned by prepaid registered mail, personal delivery, e-mail (in pdf format), courier or facsimile transmission to the address indicated herein and is to be received by the Monitor by 5:00 p.m. (prevailing Pacific time) on ●, 2012 [being seven (7) days after the date of the Notice of Revision or Disallowance], or such other date as may be agreed to by the Monitor.

Where this Notice of Dispute is being submitted electronically, please submit one pdf file with the file named as follows: [insert legal name of creditor]poc.pdf.

Address for Service of Notices of Dispute:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604.806.7070
Fax: 604.806.7806
Email: catalystclaims@ca.pwc.com

Schedule "H"

FORM OF NEWSPAPER NOTICE

NOTICE TO CREDITORS OF CATALYST PAPER CORPORATION AND THE OTHER ENTITIES LISTED BELOW (hereinafter referred to collectively as the "Petitioner Parties")

Catalyst Paper General Partnership
 Catalyst Pulp Sales Inc.
 Catalyst Pulp and Paper Sales Inc.
 Catalyst Paper Energy Holdings Inc.
 Catalyst Paper Recycling Inc.
 Catalyst Paper Holdings Inc.
 Pacifica Poplars Inc.
 Catalyst Paper (USA) Inc.

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

RE: NOTICE OF CLAIMS PROCEDURE FOR THE PETITIONER PARTIES PURSUANT TO THE *COMPANIES' CREDITORS ARRANGEMENT ACT* ("CCAA")

This notice is being published pursuant to an order of the Supreme Court of British Columbia dated March 22, 2012 (the "Claims Procedure Order") which approved a claims procedure for the determination of certain claims against the Petitioner Parties and/or their Directors and/or Officers. The claims procedure only applies to the Claims of Creditors described in the Claims Procedure Order. A copy of the Claims Procedure Order and other public information concerning the CCAA proceedings can be obtained on the website of PricewaterhouseCoopers Inc., the Court-Appointed Monitor of the Petitioner Parties (the "Monitor") at www.pwc.com/can-catalystpaper. Any person who may have a claim against any of the Petitioner Parties and/or any of their Directors and/or Officers should carefully review and comply with the Claims Procedure Order.

Any person having a Claim against any of the Petitioner Parties and/or any of their Directors and/or Officers arising or relating to the period prior to January 31, 2012 (the "Commencement Date"), which would have been a claim provable in bankruptcy had the Petitioner Parties become bankrupt on the Commencement Date and who does not receive a Claim Amount Notice with their Claims Package, or who receives a Claim Amount Notice with their Claims Package but disputes the amount or nature of their Claim as listed in their Claim Amount Notice, must send a Proof of Claim to Monitor, to be received by the Monitor by no later than 5:00 p.m. (prevailing Pacific time) on April 18, 2012 (the "Claims Bar Date").

Proofs of Claim for claims arising as a result of a restructuring, disclaimer, resiliation, termination, or breach by any of the Petitioner Parties on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement of any nature whatsoever, whether written or oral, must be received by the Monitor by no later than (a) the Claims Bar Date, and (b) 5:00 p.m. (prevailing Pacific time) on

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the day which is ten (10) days after the date of the notice of disclaimer or resiliation sent by the Monitor to such creditor.

For the avoidance of doubt, any claim a creditor may have against any of the Petitioner Parties must be filed in accordance with the procedures set forth in the Claims Procedure Order. Proofs of Claim filed solely with the United States Bankruptcy Court, District of Delaware, are invalid.

Creditors requiring more information or who have not received a Proof of Claim form or Claims Package should contact the Monitor by telephone at (604) 806-7070, fax at (604) 806-7806, or email at catalystclaims@ca.pwc.com or visit the Monitor's website at: www.pwc.com/car-catalystpaper.

UNLESS EXPRESSLY PROVIDED IN THE CLAIMS PROCEDURE ORDER, HOLDERS OF CLAIMS THAT DO NOT FILE PROOFS OF CLAIM WITH THE MONITOR BY THE APPLICABLE DEADLINE SPECIFIED ABOVE SHALL NOT BE ENTITLED TO ANY FURTHER NOTICE OR DISTRIBUTION UNDER A PLAN, IF ANY, OR OF ANY PROCEEDS OF SALE OF ANY OF THE PETITIONER PARTIES' ASSETS, OR TO PARTICIPATE AS A CREDITOR IN THE CCAA PROCEEDINGS OF THE PETITIONER PARTIES, AND SHALL BE PROHIBITED FROM MAKING OR ENFORCING ANY CLAIM AGAINST ANY OF THE PETITIONER PARTIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS. ADDITIONALLY, ANY CLAIMS SUCH CREDITOR MAY HAVE AGAINST ANY OF THE PETITIONER PARTIES AND/OR ANY OF THEIR DIRECTORS AND/OR OFFICERS SHALL BE FOREVER BARRED AND EXTINGUISHED.

No.
Vancouver Registry

IN THE SUPREME COURT OF BRITISH
COLUMBIA

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

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

AND IN THE MATTER OF CATALYST PAPER
CORPORATION AND THOSE CORPORATIONS
DESCRIBED IN THE ATTACHED SCHEDULE
"A"

PETITIONERS

CLAIMS PROCEDURE ORDER

Bill Kaplan, Q.C. / Peter Rubin
Blake Cassels & Graydon LLP
Barristers & Solicitors
595 Burrard Street, PO Box 49314
Suite 2600, Three Bentall Centre
Vancouver, B.C. V7X 1L3
Phone: 604.631.3300
Agent: Dye & Durham

This is Exhibit "E"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 13th day of April 2012

Sanya Sabot
A COMMISSIONER FOR TAKING AFFIDAVITS

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

MAR 22 2012

ENTERED

No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

AND

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

AND

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

PETITIONERS

ORDER MADE AFTER APPLICATION

***Re* SALE AND INVESTOR SOLICITATION PROCESS ORDER**

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) March 22, 2012
)

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

THIS COURT ORDERS AND DECLARES THAT:

1. The sale and investor solicitation procedure described in **Schedule "C"** substantially in the form attached to this Order (the "SISP") is hereby approved and subject to paragraph 2 hereof, the Petitioner Parties, the Monitor and Perella Weinberg Partners are authorized and directed to carry out the SISP in accordance with its terms and this Order and are hereby authorized and directed to take such steps as they consider necessary or desirable in carrying out each of their obligations thereunder.
2. In the event that: (a) the requisite statutory thresholds of support for approval of the Plan, as defined in the Meetings Order of this Court dated March 22, 2012, are not obtained by April 23, 2012; and an application to deem certain non-voting Unsecured Creditors to have voted in favour of the Plan would not result in meeting such statutory thresholds of support; or (b) the Plan is not sanctioned by the Court on or before April 25, 2012 (either occurrence hereinafter referred to as a "**Plan Failure**"), the Petitioner Parties are hereby authorized and directed to commence the SISP within two (2) Business Days thereafter. In the event that the Petitioner Parties fail to commence the SISP in accordance with its terms within such time (the "**SISP Default**"), the Monitor is authorized and directed to commence the SISP within one (1) Business Day of such failure.
3. In the event of a SISP Default:
 - (a) the Monitor is hereby fully and exclusively authorized, empowered and directed to take any and all actions and steps, and execute any and all documents and writings, on behalf, and in the name, of the Petitioner parties pursuant to and in respect of the SISP and this Order;
 - (b) the Monitor is not, and shall not be or be deemed to be, a director, officer or employee of the Petitioner; and
 - (c) notwithstanding anything to the contrary contained in this or any other Order in these proceedings, the Monitor shall not incur any liability or obligation as a result of the enhancement of the Monitor's powers and duties hereunder, the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, save and except as may result from gross negligence or wilful misconduct of the Monitor. Any liability of the Monitor shall not in any event exceed the aggregate of the quantum of fees and disbursements paid or incurred by the Monitor in connection with the performance of its duties.

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

Claims Amount (as that term is defined in the SISP), and the Stalking Horse Bidder shall be deemed to be the stalking horse bidder for the purposes of the competitive bidding process set out in the SISP.

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

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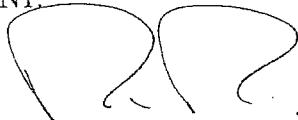
Parties, CPC, the Monitor and the respective agents of each of the foregoing in carrying out the terms of this Order.

11. The Monitor is hereby authorized to bring an application, if necessary, to seek directions in respect of, or to amend, the SISP and the Stalking Horse Purchase Agreement.

APPROVAL

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

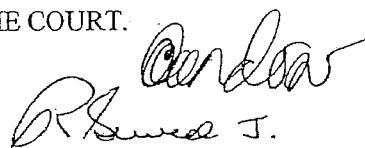
THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of

[] party [X] lawyer for the Petitioner Parties
Bill Kaplan, Q.C. / Peter Rubin

BY THE COURT.



Registrar



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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"

Counsel Name	Name of Party
Lance Williams	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner Rob Chadwick	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Chris Ramsay	A Representative Group of 2016 Noteholders
William Skelly George Benchetrit (by telephone)	Wilmington Trust, National Association
Chris Simard	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan	Catalyst Salaried Employees & Pensioner Committee
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Heather Ferris Marc Wasserman	Board of Directors of Catalyst
Orestes Pasparakis (by telephone)	Wells Fargo Bank NA
Brent Johnston Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Elizabeth Pillon (by telephone) Lisa Hiebert	Canexus Corp and Casco Inc.
Kendall Andersen	Tolko Industries Ltd. and BC Hydro
Tim Timberg	HMTQ in Right of Canada
David Hatter Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Sebastien Anderson	United Steelworkers International and USW Local 2688

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Schedule "C"

Procedures for the Sale and Investor Solicitation Process

SALE AND INVESTOR SOLICITATION PROCEDURES

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

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

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

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

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

Defined Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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“Senior Secured Note Claims Amount” means the aggregate amount due or accruing due (whether for principal, interest (including default interest), indemnification payments, premiums, charges, fees, costs (including the fees and expenses of legal counsel and other advisors) or otherwise whether ascertained or contingent) to the Collateral Trustee, Trustee and the Holders, each as applicable, under the Senior Secured Note Indentures as at the closing date of the Successful Bid;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Stalking Horse”

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

Solicitation Process

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

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

Sale and Investment Opportunity

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

"As Is, Where Is"

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

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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

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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)

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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

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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

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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

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

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

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

PHASE 2

Seeking Qualified Bids by Qualified Phase 2 Bidders

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

A. Qualified Purchase Bids

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

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

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

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

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

B. Qualified Investment Bids

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

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

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

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

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

Stalking Horse Bid

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

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

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No Qualified Bids

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

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

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

Auction

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

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

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participate in the Auction (the parties who so inform the Catalyst Entities, the "Auction Bidders");

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

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

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

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

Selection Criteria

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

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

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

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

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

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

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

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

Approval Hearings

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

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

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

Deposits

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

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

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

Approvals

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

Notice Parties

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

Reservation of Rights

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

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

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

No Amendment

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

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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

No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

AND

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

AND

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

ORDER MADE AFTER APPLICATION

Bill Kaplan, Q.C./Peter Rubin
BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Suite 2600, Three Bentall Centre
595 Burrard Street, P.O. Box 49314
Vancouver, B.C. V7X 1L3
604.631.3300
Agent: Dye & Durham

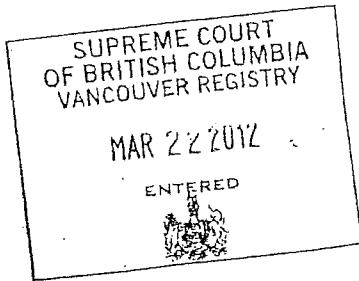
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This is Exhibit "F"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 13th day of April 2012

Gary Sabo
A COMMISSIONER FOR TAKING AFFIDAVITS



No. S120712
Vancouver Registry

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

AND

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

AND

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

AND

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

PETITIONERS

ORDER MADE AFTER APPLICATION

2 MEETINGS ORDER

BEFORE THE HONOURABLE
MR. JUSTICE SEWELL)
) March 22, 2012
)

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

THIS COURT ORDERS AND DECLARES THAT:

SERVICE

1. The time for service of the Notice of Application herein be and is hereby abridged and that the Notice of Application is properly returnable today and service thereof upon any person other than those on the Service List be and is hereby dispensed with.

DEFINITIONS

2. Any capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012, attached as **Schedule "C"** to this Order (as it may be amended, restated or supplemented from time to time in accordance with its terms, the "Plan"). "Petitioners" means, collectively, Catalyst and the other entities listed in **Schedule "A"** to this Order. "Petitioner Parties" means, collectively, the Petitioners and Catalyst Paper General Partnership.

PLAN OF COMPROMISE AND ARRANGEMENT

3. The Plan is hereby accepted for filing and the Petitioner Parties are hereby authorized to present the Plan to the Creditors for their consideration in accordance with the terms of this Order and to seek approval of the Plan by the Creditors holding an Allowed Claim or a Disputed Claim (each an "Eligible Voting Creditor") at the Meetings in the manner set forth herein.

4. With the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and, to the extent that any variation, amendment, modification or supplement to the Plan deals with the ABL Facility or the DIP Credit Agreement, the consent of JPMorgan Chase Bank, N.A. or the DIP Lenders, as applicable, and, to the extent that any variation, amendment, modification or supplement to the Plan is materially inconsistent with the Restructuring and Support Agreement, the consent of the Initial Supporting Unsecured Noteholders, the Petitioner Parties are hereby authorized to vary, amend, modify or supplement the Plan, in accordance with its terms by way of a supplementary or amended and restated plan or plans of compromise and arrangement (an "Amended Plan") at any time and from time to time:

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- (a) prior to the Meetings, provided that the Petitioner Parties or the Monitor, as applicable, (i) obtain the prior consent of the Monitor, (ii) file the Amended Plan with the Court, (iii) serve the Amended Plan on the Service List, (iv) provide reasonable notice of the Amended Plan to Convenience Share Election Creditors and Cash Election Creditors, (v) provide reasonable notice of the Amended Plan to Eligible Voting Creditors that have filed proxies with the Monitor, to the extent that such Eligible Voting Creditors are not on the Service List, and (vi) post the Amended Plan on the Monitor's website at www.pwc.com/car-catalystpaper (the "Monitor's Website");
- (b) during a Meeting, provided that (i) the prior consent of the Monitor is obtained, (ii) such amendment would not be materially prejudicial to the interests of any of the Creditors under the Plan, and (iii) notice of any such variation, amendment, modification or supplement is given to all Eligible Voting Creditors present in person or by proxy (and in such case, notice given to the Eligible Voting Creditor's proxy holder shall be sufficient) at each Meeting prior to the vote being taken at such Meeting; in which case any such variation, amendment, modification or supplement shall be deemed to be part of and incorporated into the Plan, and such Amended Plan shall be promptly posted on the Monitor's Website and filed with the Court as soon as practicable following the Meetings; and
- (c) after the Meetings (both prior to and subsequent to the date of the Sanction Order, if granted) without obtaining a further Order of this Court and without notice to any Creditors, if the Petitioner Parties and the Monitor, acting reasonably and in good faith, determine that such variation, amendment, modification or supplement is of a technical or administrative nature that would not be prejudicial to the interests of any of the Creditors under the Plan and is necessary in order to give effect to the substance of the Plan or the Sanction Order (if granted).

CLASSIFICATION OF CREDITORS

5. For the purposes of considering and voting on the Plan, there shall be two (2) Classes of Creditors as established in the Plan, being the Unsecured Claims Class and the First Lien Notes Claims Class.

NOTICE OF MEETINGS AND INFORMATION PACKAGE

6. The Company's management proxy circular (the "Information Circular"), the form of notice of the Meetings (the "Notice of Meetings"), the forms of proxy for General Unsecured Creditors and the voting forms for Unsecured Noteholders and for First Lien Noteholders, the Cash Election Form, the Convenience Share Election Form (collectively, the "Information Package") and the Newspaper Notice (the "Newspaper Notice") in substantially the forms attached to this Order as Schedules "D", "E", "F", "G", "H", "I", "J", "K", "L" and "M" respectively, are hereby approved.

7. Notwithstanding paragraph 6 above, but subject to paragraph 4, the Petitioner Parties may from time to time make such minor changes to the documents in the Information Package as the Petitioner Parties and the Monitor consider necessary or desirable to conform the content thereof to the terms of the Plan or this Order or to describe the Plan.

8. As soon as practicable after the granting of this Order and in any event within two (2) Business Days following the date of this Order, the Monitor shall cause a copy of the Information Package (and any amendments made thereto in accordance with paragraph 7 hereof), this Order (including all schedules that are not included in the Information Package), and the Monitor's Fifth Report dated March [●], 2012 to be posted on the Monitor's Website. The Monitor shall ensure that the Information Package remains posted on the Monitor's Website until at least one (1) Business Day after the Effective Date.

9. Forthwith after the granting of this Order, the Monitor shall deliver a copy of the Information Package (without the Cash Election Form, the Convenience Share Election Form and the General Unsecured Creditors Proxy) to Globic Advisors (the "Solicitation Agent"). As soon as practicable after the granting of this Order and in any event within four (4) Business Days following the date of this Order, the Monitor shall send the Information Package (without

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the voting instruction forms and master proxies for and in respect of the Noteholders) to all Creditors (other than Noteholders) known to the Monitor and the Petitioner Parties as of the date of this Order by regular mail, facsimile, courier or e-mail at the last known address (including fax number or email address) for such Creditors set out in the books and records of the Petitioner Parties.

10. As soon as practicable following the receipt of a request therefor, the Monitor shall send a copy of the Information Package by registered mail, facsimile, courier or e-mail, to each Creditor who, no later than three (3) Business Days prior to the applicable Meeting (or any adjournment thereof), makes a written request for it.

PUBLICATION OF NEWSPAPER NOTICE

11. As soon as practicable after the granting of this Order and in any event within four (4) Business Days following the date of this Order, the Monitor shall use reasonable efforts to cause the Newspaper Notice (substantially in the form attached hereto as Schedule "M") to be published for a period of one (1) Business Day in *The National Post*, the *Victoria Times Colonist*, the *Vancouver Sun* and *The Wall Street Journal*.

UNSECURED NOTEHOLDERS SOLICITATION PROCESS

12. The record date for the purposes of determining which Unsecured Noteholders are entitled to receive notice of the Unsecured Creditors Meeting and vote at the Unsecured Creditors Meeting shall be 5:00 p.m. on March 16, 2012 at the prevailing Pacific time (the "Unsecured Noteholder Record Date").

13. As soon as practicable after the granting of this Order, and in any event within four (4) Business Days following the date of this Order, the Solicitation Agent shall cause a copy of the Information Package (but not including the General Unsecured Creditor Proxy, the Cash Election Form and the Convenience Share Election Form) to be sent to:

- (a) each of the registered Unsecured Noteholders that appear on the applicable securities register of Catalyst as at the Unsecured Noteholder Record Date, by one or more of the following methods:

- (i) by email or by prepaid ordinary or first class mail addressed to the Unsecured Noteholder at his, her or its address as it appears on the applicable securities register of Catalyst as at the Unsecured Noteholder Record Date;
- (ii) by delivery in person, or by delivery to the address specified in subparagraph (i) above; or
- (iii) by email or facsimile transmission to any Unsecured Noteholder who identifies himself, herself or itself to the satisfaction of the Solicitation Agent, acting through its representatives, and who requests such email or facsimile transmission; and

(b) each of the non-registered Unsecured Noteholders, by sending copies of the Information Package to intermediaries and registered nominees for forwarding on to both non-objecting beneficial owners and objecting beneficial owners, in accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators.

14. Notwithstanding paragraph 6 of this Order, and paragraph 4 of this Order, in the event that any amendments or supplements are made to the Information Package (the “**Additional Information**”) after the Information Package has been sent to the Unsecured Noteholders pursuant to paragraph 13 of this Order, the Petitioner Parties shall only be required to distribute such Additional Information to the Unsecured Noteholders by way of press release.

15. Accidental failure of or accidental omission by the Solicitation Agent to provide a copy of the Information Package to any one or more of the Unsecured Noteholders, the non-receipt of a copy of the Information Package beyond the reasonable control of the Solicitation Agent, or any failure or omission to provide a copy of the Information Package as a result of events beyond the reasonable control of the Solicitation Agent (including, without limitation, any inability to use postal services) shall not constitute a breach of this Order, and shall not invalidate any resolution passed or proceedings taken at the Unsecured Creditors Meeting, but if any such

failure or omission is brought to the attention of the Solicitation Agent, then the Solicitation Agent shall use reasonable efforts to rectify the failure or omission by the method and in the time most reasonably practicable in the circumstances.

FIRST LIEN NOTEHOLDERS SOLICITATION PROCESS

16. The record date for the purposes of determining which First Lien Noteholders are entitled to receive notice of the First Lien Noteholders Meeting and vote at the First Lien Noteholders Meeting shall be 5:00 p.m. on March 16, 2012 at the prevailing Pacific time (the "First Lien Noteholder Record Date").

17. As soon as practicable after the granting of this Order, and in any event within four (4) Business Days following the date of this Order, the Solicitation Agent shall cause a copy of the Information Package (but not including the General Unsecured Creditor Proxy, the Cash Election Form and the Convenience Share Election Form) to be sent to:

- (a) each of the registered First Lien Noteholders that appear on the applicable securities register of Catalyst as at the First Lien Noteholder Record Date, by one or more of the following methods:
 - (i) by email or prepaid ordinary or first class mail addressed to the First Lien Noteholder at his, her or its address as it appears on the applicable securities register of Catalyst as at the First Lien Noteholder Record Date;
 - (ii) by delivery in person, or by delivery to the address specified in subparagraph (i) above; or
 - (iii) by email or facsimile transmission to any First Lien Noteholder who identifies himself, herself or itself to the satisfaction of the Solicitation Agent, acting through its representatives, and who requests such email or facsimile transmission; and
- (b) each of the non-registered First Lien Noteholders, by sending copies of the Information Package to intermediaries and registered nominees for forwarding on

to both non-objecting beneficial owners and objecting beneficial owners, in accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators.

18. Notwithstanding paragraph 6 of this Order, and paragraph 4 of this Order, in the event that there is any Additional Information after the Information Package has been sent to the First Lien Noteholders pursuant to paragraph 17 of this Order, the Petitioner Parties shall only be required to distribute such Additional Information to the First Lien Noteholders by way of press release.

19. Accidental failure of or accidental omission by the Solicitation Agent to provide a copy of the Information Package to any one or more of the First Lien Noteholders, the non-receipt of a copy of the Information Package beyond the reasonable control of the Solicitation Agent, or any failure or omission to provide a copy of the Information Package as a result of events beyond the reasonable control of the Solicitation Agent (including, without limitation, any inability to use postal services) shall not constitute a breach of this Order, and shall not invalidate any resolution passed or proceedings taken at the First Lien Noteholders Meeting, but if any such failure or omission is brought to the attention of the Solicitation Agent, then the Solicitation Agent shall use reasonable efforts to rectify the failure or omission by the method and in the time most reasonably practicable in the circumstances.

NOTICE SUFFICIENT

20. The publication of the Newspaper Notice, the sending of a copy of the Information Package to Creditors in accordance with paragraph 9 above, the posting of the Information Package on the Monitor's Website, and the provision of notice to the Unsecured Noteholders and First Lien Noteholders in the manner set out in paragraphs 8, 9, 11, 13 and 17 above, shall constitute good and sufficient service of this Order, the Plan and the Notice of Meetings on all Persons who may be entitled to receive notice thereof in these proceedings, or who may wish to be present in person or by proxy at the Meetings or in these proceedings, and no other form of notice or service need be made on such Persons and no other document or material need be served on such Persons in respect of these proceedings. Service shall be effective, in the case of

mailing, three (3) Business Days after the date of mailing, in the case of service by courier, on the day after the courier was sent, in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch and in the case of service by fax or e-mail, on the day the fax or e-mail was transmitted, unless (i) such day is not a Business Day, or the fax or e-mail transmission was made after 5:00 p.m., in which case, on the next Business Day, or (ii) a return failure-to-deliver message is received by sender.

THE MEETINGS

21. The Petitioner Parties are hereby authorized and directed to call, hold and conduct a separate meeting for each Class of Creditors on April 23, 2012, at the Delta Vancouver Airport Hotel, 3500 Cessna Drive, Vancouver, British Columbia, V7B 1C7 at 10:00 a.m. for the Unsecured Claims Class (the "Unsecured Creditors Meeting") and at 11:00 a.m. for the First Lien Notes Claims Class (the "First Lien Noteholders Meeting"), or as adjourned to such places and times as the Chair or Monitor may determine in accordance with paragraph 46 hereof, for the purposes of considering and voting on the resolution to approve the Plan and transacting such other business as may be properly brought before the applicable Meeting.

ATTENDANCE AT THE MEETINGS

22. The only Persons entitled to notice of, attend or speak at a Meeting are the Eligible Voting Creditors (which, for greater certainty, shall include the Unsecured Noteholders as at the Unsecured Noteholder Record Date at the Unsecured Creditors Meeting and the First Lien Noteholders as at the First Lien Noteholder Record Date at the First Lien Noteholders Meeting) of the applicable Class of Creditors and their respective proxy holders, representatives of the Petitioner Parties, the Monitor, the Steering Group, the Initial Supporting Noteholders and the legal counsel and financial advisors of any of the foregoing, the Chair, Scrutineers and the Secretary. Any other Person may be admitted to a Meeting only by invitation of the Petitioner Parties or the Monitor.

23. An Eligible Voting Creditor that is not an individual may only attend and vote at a Meeting if it has appointed a proxy holder to attend and act on its behalf at such Meeting.

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DISPUTED CLAIMS

24. If the amount of a Disputed Claim has not been finally determined or resolved at least one (1) Business Day prior to the date of the applicable Meeting or any adjournment thereof, the holder thereof shall be entitled to vote the aggregate amount of the Disputed Claim(s) of the holder in accordance with the provisions of this Order, without prejudice to the rights of the Petitioner Parties, the Monitor or the holder of the Disputed Claim(s) with respect to the final determination of the Disputed Claim(s) for distribution purposes and such vote shall be separately tabulated by the Monitor in accordance with paragraphs 49 and 50 of this Order. Votes cast in respect of any Disputed Claim shall not be counted toward the Required Majorities.

ENTITLEMENT TO VOTE AT THE MEETINGS

25. Any Person having an Unaffected Claim shall not be entitled to vote on the Plan at a Meeting in respect of such Unaffected Claim and, except as otherwise permitted herein, shall not be entitled to attend a Meeting.

26. Any Creditor holding a Claim (other than an Allowed Claim) that has not submitted a Proof of Claim in respect of its Claim in accordance with the procedure set out in the Claims Procedure Order prior to the Claims Bar Date or the Restructuring Claims Bar Date set out therein, as applicable, shall not be entitled to vote on the Plan at the applicable Meeting in respect of its Claim.

27. Subject to paragraphs 43 and 44 hereof, or as otherwise may be determined in connection with this Order, the only Persons entitled to vote at a Meeting in person or by proxy are Eligible Voting Creditors.

VOTING AT THE MEETINGS

28. The quorum required at each Meeting shall be one (1) Eligible Voting Creditor present in person or by proxy at such Meeting.

29. Subject to paragraphs 24, 44 and 50 hereof, each Eligible Voting Creditor shall have one (1) vote, which vote shall have the value of such Eligible Voting Creditor's Allowed Claim(s) as

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determined in accordance with the Claims Procedure Order, any other order of the Court and/or the Plan.

30. The Chair be and is hereby authorized to accept and rely upon proxies that are substantially in the form attached to this Order as Schedules "F", "G", "H", "I" and "J" and as permitted by paragraphs 39, 40 and 41 hereof.

31. An Eligible Voting Creditors' Claim shall not include fractional numbers and for voting purposes, shall be rounded down to the nearest whole U.S. Dollar amount.

UNSECURED CLASS

A) Convenience Share Election Creditors

32. Any Convenience Creditor may make a Convenience Share Election by sending a Convenience Share Election Form (in the form attached hereto as Schedule "L") to the Monitor such that it is received by the Monitor at least one (1) Business day prior to the Unsecured Creditors Meeting. For purposes of determining the Required Majorities, any Convenience Creditor who makes a Convenience Share Election in accordance with this Order and the Plan (a "Convenience Share Election Creditor") shall be deemed to vote in favour of the resolution to approve the Plan to the extent of his, her or its Allowed Claim and shall not be entitled to attend or vote at the Unsecured Creditors Meeting, whether in person or by proxy.

B) Cash Election Creditors

33. Any General Unsecured Creditor that is not a Convenience Creditor may make a Cash Election by sending a Cash Election Form (in the form attached hereto as Schedule "K") to the Monitor such that it is received by the Monitor at least one (1) Business Day prior to the Unsecured Creditors Meeting. The Allowed Claim of any General Unsecured Creditor who makes a Cash Election in accordance with this Order and the Plan (a "Cash Election Creditor") shall be deemed to be equal to CAD \$10,000 for distribution purposes only. For purposes of determining the Required Majorities, any such Cash Election Creditor shall be deemed to vote in favour of the resolution to approve the Plan to the full extent of his, her or its Allowed Claim and shall not be entitled to attend or vote at the Unsecured Creditors Meeting, whether in person or by proxy.

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C) General Unsecured Creditors (not including Convenience Share Election Creditors or Cash Election Creditors)

34. For the purposes of voting at the Unsecured Creditors Meeting, the Allowed Claim of any General Unsecured Creditors (not including Convenience Share Election Creditors or Cash Election Creditors) shall be deemed to be equal to the extent of his, her or its Allowed Claim.

D) Unsecured Noteholders

35. For the purposes of voting at the Unsecured Creditors Meeting, the Allowed Claim of any Unsecured Noteholder shall be deemed to be equal to its pro rata share of the Unsecured Notes Claims Voting Amount (as defined and determined in accordance with paragraph 11 of the Claims Procedure Order).

36. Non-registered Unsecured Noteholders will be required to submit their vote via their respective intermediary and nominee in order to verify their allowed claim as of the record date.

FIRST LIEN NOTES CLASS

37. For the purposes of voting at the First Lien Noteholders Meeting, the Allowed Claim of any First Lien Noteholder shall be deemed to be equal to its pro rata share of the First Lien Notes Claims Voting Amount (as defined in and determined in accordance with paragraph 12 of the Claims Procedure Order).

38. Non-registered First Lien Noteholders will be required to submit their vote via their respective intermediary and nominee in order to verify their Allowed Claim as of the record date.

VOTING BY PROXIES

39. All proxies submitted, other than proxies submitted by First Lien Noteholders or Unsecured Noteholders, in respect of the Unsecured Creditors Meeting (or any adjournment thereof) must be (a) submitted prior to the Unsecured Creditors Meeting; and (b) in substantially the form attached to this Order as Schedule "F", as applicable, or in such other form acceptable to the Monitor or the Chair. The Monitor is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any proxy is completed and

executed, and may waive strict compliance with the requirements in connection with the deadlines imposed in connection therewith.

40. Each of the non-registered Unsecured Noteholders, who hold their claims through intermediaries or nominees, shall execute a Beneficial Noteholder Voting Instruction Form, attached as **Schedule "G"**, and return the Beneficial Noteholder Voting Instruction Form to their respective intermediary or nominee. The intermediaries or nominees, holding the Unsecured Notes for the benefit of the underlying Noteholders, will verify the Noteholder's record date claim, and include that claim on that intermediary's and nominee's Master Proxy, attached as **Schedule "H"** for delivery to the Solicitation Agent as set out in **Schedule "H"** no later than 1:00 p.m. (prevailing Pacific time) on April 20, 2012. The Solicitation Agent shall, as soon as reasonably practicable after receipt of any Beneficial Noteholder Voting Instruction Forms and Master Proxies, deliver the relevant information to the Monitor. By no later than 5:00 p.m. (prevailing Pacific time) on April 20, 2012, the Solicitation Agent shall deliver to the Monitor a summary of all information received by the Solicitation Agent along with copies of all Beneficial Noteholder Voting Instruction Forms and Master Proxies received by the Solicitation Agent.

41. Each of the non-registered First Lien Noteholders, who hold their claims through intermediaries or nominees, shall execute a Beneficial Noteholder Voting Instruction Form, attached as **Schedule "I"**, and return the Beneficial Noteholder Voting Instruction Form to their respective intermediary or nominee. The intermediaries or nominees, holding the First Lien Notes for the benefit of the underlying Noteholders, will verify the Noteholder's record date claim, and include that claim on that intermediary's and nominee's Master Proxy, attached as **Schedule "J"** for delivery to the Solicitation Agent as set out in **Schedule "J"** no later than 1:00 p.m. (prevailing Pacific time) on April 20, 2012. The Solicitation Agent shall, as soon as reasonably practicable after receipt of any Beneficial Noteholder Voting Instruction Forms and Master Proxies, deliver the relevant information to the Monitor. By no later than 5:00 p.m. (prevailing Pacific time) on April 20, 2012, the Solicitation Agent shall deliver to the Monitor a summary of all information received by the Solicitation Agent along with copies of all Beneficial Noteholder Voting Instruction Forms and Master Proxies received by the Solicitation Agent.

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42. Paragraphs 39, 40 and 41 hereof, the Instruction for Completion of Proxy and the Instructions for Completion of Voting Instruction Form (which instructions are part of the documents attached hereto as **Schedules "F", "G", "H", "I" and "J"**) shall govern the submission of such documents and any deficiencies in respect of the form or substance of such documents filed with the Solicitation Agent.

TRANSFERS OR ASSIGNMENTS OF CLAIMS

43. Subject to paragraphs 32 and 33 above, if an Affected Creditor other than a Noteholder transfers or assigns an Affected Claim to another Person, such transferee or assignee shall not be entitled to attend and vote the transferred or assigned Affected Claim at the applicable Meeting unless (i) the assigned Affected Claim is an Allowed Claim or Disputed Claim, or a combination thereof, and (ii) notice of and proof of transfer or assignment has been delivered to the Monitor in accordance with paragraph 36 of the Claims Procedure Order no later than three (3) Business Days prior to the date of the applicable Meeting.

44. Subject to paragraphs 32 and 33 above, if an Affected Creditor other than a Noteholder transfers or assigns (i) the whole of its Affected Claim to more than one Person, or (ii) part of its Affected Claim to another Person or Persons, such transfers or assignments shall not create separate Affected Claims for voting purposes. Only the last Affected Creditor holding the whole of the Affected Claim may attend and vote the Affected Claim (including any transferred or assigned parts thereof) at the applicable Meeting (provided that such Affected Creditor is an Eligible Voting Creditor and only that portion of the Affected Claim that is an Allowed Claim or Disputed Claim shall be eligible to be voted), unless such Affected Creditor delivers notice in writing to the Monitor in accordance with paragraph 36 of the Claims Procedure Order no later than three (3) Business Days prior to the date of the applicable Meeting, directing that a specified transferee or assignee may vote the Affected Claim (including any transferred or assigned parts thereof) at the applicable Meeting if and to the extent such Affected Claim may otherwise be voted at such Meeting.

PROCEDURE AT THE MEETINGS

45. A representative of the Monitor shall preside as the chair of each of the Meetings (the "Chair") and shall decide all matters relating to the rules and procedures at, and the conduct of,

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such Meeting in accordance with the terms of the Plan, this Order and further Order of this Court.

46. A Meeting shall be adjourned to such date, time and place as may be designated by the Chair or the Monitor, if:

- (a) the requisite quorum is not present at such Meeting;
- (b) such Meeting is postponed by a vote of the majority in value of the Claims of the Eligible Voting Creditors present in person or by proxy at such Meeting; or
- (c) prior to or during the Meeting, the Chair or the Monitor, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, otherwise decides to adjourn such Meeting.

The announcement of the adjournment by the Chair at such Meeting (if the adjournment is during a Meeting), the posting of notice of such adjournment on the Monitor's Website, written notice to the Service List and issuing a press release with respect to such adjournment shall constitute sufficient notice of the adjournment and neither the Petitioner Parties nor the Monitor shall have any obligation to give any other or further notice to any Person of the adjourned Meeting.

47. Every question submitted to a Meeting, except to approve the Plan resolution or an adjournment of such Meeting, shall be decided by a majority of votes given on a show of hands or by confidential written ballot, at the discretion of the Chair, by a majority in number of the Eligible Voting Creditors.

48. The Chair shall direct a vote by the Eligible Voting Creditors of each Class on the resolutions (substantially in the form attached to this Order as Schedules "N" and "O") to approve the Plan (i) by way of written ballot, or (ii) if the Chair deems it appropriate, by a show of hands.

49. The Monitor may appoint scrutineers (the "Scrutineers") for the supervision and tabulation of the attendance at, quorum, and votes cast at each Meeting. A Person or Persons

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designated by the Monitor shall act as secretary (the "Secretary") at each Meeting and shall tabulate all Allowed Claims (and, if applicable, Disputed Claims) voted at each such Meeting.

50. For voting purposes, the Monitor shall keep a separate record and tabulation of any votes (including deemed votes) cast in respect of Allowed Claims and Disputed Claims.

51. The result of any vote conducted at a Meeting of a Class of Creditors shall be binding upon all Creditors of that Class, whether or not any such Creditor was present or voted (or was deemed to have voted) at the Meeting, without prejudice to such Creditor's ability to oppose the Plan at the Sanction Hearing on a basis other than that the Required Majorities were obtained.

52. Following the vote by a Class of Creditors at a Meeting, the Monitor shall tally the votes cast and deemed to be cast in accordance with the terms of this Order and determine whether the Plan has been approved by the majorities of Eligible Voting Creditors of that Class required pursuant to section 6 of the CCAA (the "Required Majorities").

53. The Monitor shall file its report to this Court by no later than one (1) Business Day after the date of the Meetings detailing the votes cast or deemed to be cast in respect of Allowed Claims and Disputed Claims and the results of the votes cast, including, without limitation, whether:

- (a) the Plan has been accepted by the Required Majorities of Creditors in each Class; and
- (b) the votes cast or deemed to be cast by Eligible Voting Creditors with Disputed Claims, if any, would affect the result of the vote.

54. If the votes cast by the holders of Disputed Claims would affect whether the Plan has been approved by the Required Majorities of Creditors, the Monitor shall report this to the Court in accordance with paragraph 53 of this Order, in which case (i) the Petitioner Parties or the Monitor may request this Court to direct an expedited determination of any material Disputed Claims, as applicable, (ii) the Petitioner Parties, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, may request this Court to defer the date of the hearing of the Sanction Hearing, (iii) the Petitioner

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Parties, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, may request this Court to defer or extend any other time periods in this Order or the Plan, and/or (iv) the Petitioner Parties or the Monitor may seek such further advice and direction as may be considered appropriate.

55. The Court directs the Monitor to compile lists of General Unsecured Creditors and Unsecured Noteholders entitled to vote at the meeting including separate lists of General Unsecured Creditors and Unsecured Noteholders who did not cast a vote at the meeting or file a proxy in respect thereto.

56. An electronic copy of the Monitor's Report regarding the Meetings and the Plan, including any amendments and variations thereto, shall be posted on the Monitor's Website prior to the Sanction Hearing.

HEARING FOR SANCTION OF THE PLAN

57. If the Plan is approved by the Required Majorities of Eligible Voting Creditors at each of the Meetings, or by subsequent Court Order, the Petitioner Parties shall seek Court approval of the Plan by bringing an application for approval of an Order sanctioning the Plan (the "Sanction Order"), which application shall be returnable before this Court at 9:45 a.m. on April 25, 2012, or, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, as soon after that date as the matter can be heard (the "Sanction Hearing").

58. Service of the Information Package pursuant to paragraphs 8, 9, 13 and 17 hereof and the publication of the Newspaper Notice pursuant to paragraph 11 hereof shall constitute good and sufficient service of the notice of the Sanction Hearing on all Persons who may be entitled to receive notice of the Sanction Hearing, and no other form of notice or service need be made on such Persons, and no such other document or materials need be served on such Persons in respect of the Sanction Hearing unless they have filed and served an Application Response in accordance with paragraph 59 of this Order.

59. Any party who wishes to oppose the application for approval of the Sanction Order shall serve upon the lawyers for the Petitioner Parties, the Monitor, and upon all other parties on the

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Service List, by not later than 12:00 p.m. on April 24, 2012: (a) an Application Response in the form prescribed by the British Columbia Supreme Court Civil Rules setting out the basis for such opposition; and (b) a copy of the materials to be used to oppose the application for approval of the Sanction Order setting out the basis for the opposition.

60. If the Sanction Hearing is adjourned in accordance with the terms hereof, only those Persons who are listed on the Service List (which shall include those Persons who have complied with paragraph 59 of this Order) shall be served with notice of the adjourned date.

GENERAL

61. The Petitioner Parties and the Monitor may, in their discretion, generally or in individual circumstances, but in accordance and compliance with the terms of this Order, waive in writing the time limits imposed on any Creditor under this Order if the Petitioner Parties and the Monitor deem it advisable to do so, without prejudice to the requirement that all other Creditors must comply with this Order.

62. If any deadline set out in this Order falls on a day other than a Business Day, the deadline shall be extended to the next Business Day.

63. All references herein as to time shall mean local time in Vancouver, British Columbia, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. prevailing Pacific time on such Business Day unless otherwise indicated herein.

64. Notwithstanding the terms of this Meeting Order, the Petitioner Parties and the Monitor may apply to this Court from time to time for directions from this Court with respect to this Meeting Order, including with respect to the Meetings and the schedules to this Meeting Order, or for such further Order or Orders as either of them may consider necessary or desirable to amend, supplement or replace this Meeting Order, including any schedule to this Meeting Order.

65. Subject to any further Order of this Court, in the event of any conflict, inconsistency, ambiguity or difference between the provisions of the Plan and this Order, the terms, conditions and provisions of the Plan shall govern and be paramount, and any such provision of this Order

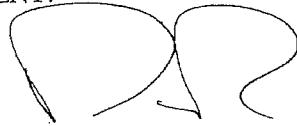
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shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference.

EFFECT, RECOGNITION AND ASSISTANCE OF OTHER COURTS

66. **THIS COURT REQUESTS** the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, (including, without limitation, the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to (i) make such orders and to provide such assistance to the Petitioner Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, (ii) grant representative status to any of the Petitioner Parties, in any foreign proceeding, and (iii) assist the Petitioner Parties, the Monitor and the respective agents of each of the foregoing in carrying out the terms of this Order.

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

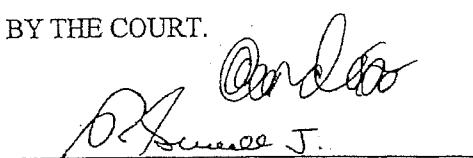


Signature of

[] party lawyer for the Petitioner Parties
Bill Kaplan, Q.C./Peter Rubin



BY THE COURT.



Registrar

SCHEDULE "A" TO MEETINGS ORDER
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"

Counsel Name	Name of Party
Lance Williams	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner Rob Chadwick	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Chris Ramsay	A Representative Group of 2016 Noteholders
William Skelly George Benchetrit (by telephone)	Wilmington Trust, National Association
Chris Simard	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan	Catalyst Salaried Employees & Pensioner Committee
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Heather Ferris Marc Wasserman	Board of Directors of Catalyst
Orestes Pasparakis (by telephone)	Wells Fargo Bank NA
Brent Johnston Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Elizabeth Pillon (by telephone) Lisa Hiebert	Canexus Corp and Casco Inc.
Kendall Andersen	Tolko Industries Ltd. and BC Hydro
Tim Timberg	HMTQ in Right of Canada
David Hatter Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Sebastien Anderson	United Steelworkers International and USW Local 2688

SCHEDULE "C" TO MEETINGS ORDER
PLAN OF COMPROMISE AND ARRANGEMENT
(Attached)

**SCHEDULE "D" TO MEETINGS ORDER
INFORMATION CIRCULAR
(Attached)**

SCHEDULE "E" TO MEETINGS ORDER
FORM OF NOTICE OF MEETINGS
(Attached)

[LETTERHEAD OF PWC]

NOTICE OF THE MEETINGS OF CATALYST PAPER CORPORATION, THE OTHER PETITIONERS LISTED IN THE ATTACHED SCHEDULE "A" AND CATALYST PAPER GENERAL PARTNERSHIP
 (hereinafter referred to collectively as the "Petitioner Parties")

NOTICE IS HEREBY GIVEN that the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 (as may be amended, restated or supplemented from time to time, the "Plan") was filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Supreme Court of British Columbia (the "Court"). The Plan contemplates the compromise of the rights and claims of certain creditors of the Petitioner Parties. A copy of the Plan is attached to the enclosed Information Circular.

Capitalized terms used and not otherwise defined in this Notice are as defined in the order of the Court dated March 22, 2012 (the "Meetings Order").

NOTICE IS ALSO HEREBY GIVEN that the Petitioner Parties, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and upon prior consultation with the Monitor, may vary, amend, modify or supplement the Plan, in accordance with its terms and/or the Meetings Order at any time and from time to time provided that:

- (a) if made prior to the Meetings, the Debtors (i) obtain the prior consent of the Monitor, (ii) file the amended Plan with the Court, (iii) serve the amended Plan on the parties listed on the service list to these CCAA Proceedings, (iv) provide reasonable notice of the amended Plan to Creditors that have filed proxies with the Monitor to the extent that such Creditors are not on the service list, and (v) request the Monitor to post the amended Plan on the Monitor's website at www.pwc.com/car-catalystpaper;
- (b) if made during a Meeting, (i) the prior consent of the Monitor is obtained, (ii) the amendment would not be materially prejudicial to the interests of any of the Creditors under the Plan, and (iii) notice of the amendment is given to all Creditors eligible to vote and present at the Meetings prior to the vote being taken; in which case the amended Plan shall be promptly posted on the Monitor's website at www.pwc.com/car-catalystpaper and filed with the Court; and
- (c) if made after the Meetings and, without further order of the Court or notice to any Creditor, the Debtors and the Monitor, acting reasonably and in good faith, determine the variation, amendment, modification or supplement in the amended Plan to be (i) of a technical or administrative nature that would not prejudice the interests of any of the Creditors under the Plan and (ii) necessary in order to give effect to the substance of the Plan or the Sanction Order;

Creditors who wish to receive written notice of any variation, modification, amendment or supplement to the Plan should contact the Monitor at the following address:

PricewaterhouseCoopers Inc.,
 Court-appointed Monitor of Catalyst Paper Corporation et al.
 250 Howe Street, Suite 700
 Vancouver, British Columbia V6C 3S7

Attention: Patricia Marshall
Telephone: 604-806-7070
Fax: 604-806-7806
Email: catalystclaims@ca.pwc.com

NOTICE IS ALSO HEREBY GIVEN that the Meetings Order established the procedures for the Petitioner to call, hold and conduct Meetings of holders of Claims (the "Meetings") to consider and pass resolutions, if thought advisable, approving the Plan and to transact such other business as may be properly brought before the Meetings. For the purpose of voting on and receiving distributions pursuant to the Plan, the holders of Claims will be grouped into two classes, being the Unsecured Claims Class and the First Lien Notes Claims Class.

NOTICE IS ALSO HEREBY GIVEN that the Meetings will be held at the following date, times and location:

Date: April 23, 2012

Time: 10:00 a.m. (prevailing Pacific time) – Unsecured Claims Class
11:00 a.m. (prevailing Pacific time) – First Lien Notes Claims Class

Location: Delta Vancouver Airport Hotel, 3500 Cessna Drive, Vancouver, British Columbia, V7B 1C7

Subject to paragraphs 32 and 33 of the Meetings Order, only those creditors with Allowed Claims or Disputed Claims (each such creditor, an "Eligible Voting Creditor") will be eligible to attend the applicable Meetings and vote on a resolution to approve the Plan. The votes of creditors holding Disputed Claims will be separately tabulated and Disputed Claims will be resolved for voting purposes in accordance with the Claims Procedure Order, the Meetings Order and the Plan. A holder of an Unaffected Claim, as defined in the Plan, shall not be entitled to attend or vote at the Meetings in respect of such Unaffected Claim. Any Convenience Creditor that files a Convenience Share Election Form and any General Unsecured Creditor that files a Cash Election Form shall be deemed to have voted in favour of the resolution to approve the Plan and shall not be entitled to attend or vote at the Meetings in respect of such Claim. March 16, 2012 has been set as the record date for holders of Unsecured Notes and First Lien Notes to determine entitlement to vote at the Meeting.

Any Eligible Voting Creditor who is unable to attend the applicable Meeting may vote by proxy. Further, any Eligible Voting Creditor who is not an individual may only attend and vote at the applicable Meeting if a proxy holder has been appointed to act on its behalf at such Meeting.

Proxies submitted by parties other than First Lien Noteholders and Unsecured Noteholders can be submitted on the date of the Meeting if submitted prior to the commencement of the Meeting. Proxies submitted in respect of First Lien Noteholders and Unsecured Noteholders must be submitted to Globic Advisors (as Solicitation Agent) no later than 1:00 p.m. (prevailing Pacific time) on April 20, 2012 as set out in the Meetings Order or, as applicable, submitted to the Monitor by mail, delivery, courier, e-mail or facsimile at the address of the Monitor set out on the proxy by no later than 1:00 p.m. (prevailing Pacific time) on the last Business Day preceding the date set for the Meeting, or any adjournment thereof, in order to be acted upon at the applicable Meeting.

NOTICE IS ALSO HEREBY GIVEN that if the Plan is approved at the Meetings by the Creditors and all other necessary conditions are met, the Petitioner Parties intend to make an application to the Court on April 25, 2012 seeking an order sanctioning the Plan pursuant to the CCAA (the "**Sanction Order**"). Any person wishing to oppose the application for the Sanction Order must serve a copy of the materials to be used to oppose the application and setting out the basis for such opposition upon the lawyers for both the Petitioner Parties and the Monitor as well as those parties listed on the Service List posted on the Monitor's website. Such materials must be served by not later than 12:00 p.m. (prevailing Pacific time) on April 24, 2012.

NOTICE IS ALSO HEREBY GIVEN that in order for the Plan to become effective:

- (i) the Plan must be approved by the required majority of Creditors as required under the CCAA and in accordance with the terms of the Meetings Order;
- (ii) the Plan must be sanctioned by the Court; and
- (iii) the conditions to the implementation and effectiveness of the Plan as set out in the Plan and summarized in the Information Circular must be satisfied or waived.

Additional copies of the Information Package, including the Information Circular and the Plan, may be obtained from the Monitor's Website at www.pwc.com/car-catalystpaper or by contacting the Monitor by telephone at 604-806-7070 or by email at catalystclaims@ca.pwc.com.

Schedule "A" to Notice of the Meetings**Other 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 "F" TO MEETINGS ORDER
FORM OF PROXY – GENERAL UNSECURED CREDITORS PROXY
(Attached)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF CATALYST PAPER CORPORATION, CATALYST PAPER GENERAL
PARTNERSHIP AND THE PETITIONERS LISTED IN SCHEDULE "A" TO
THE MEETINGS ORDER

GENERAL UNSECURED CREDITOR PROXY

Before completing this proxy, please read carefully the accompanying Instructions For Completion of Proxy. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 (as may be amended, restated or supplemented from time to time, the "Plan") filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Supreme Court of British Columbia (the "Court").

In accordance with the Plan, this proxy may only be filed by General Unsecured Creditors having an Allowed Claim or a Disputed Claim ("Eligible Voting Creditors") but is NOT to be completed by those Creditors completing a Cash Election Form or a Convenience Share Election Form.

THE UNDERSIGNED ELIGIBLE VOTING CREDITOR hereby revokes all proxies previously given and nominates, constitutes, and appoints:

Print Name of proxy

or, instead of the foregoing, Neil Bunker of PricewaterhouseCoopers Inc., in its capacity as Monitor, or such other Person as he, in his sole discretion, may designate, to attend on behalf of and act for the Eligible Voting Creditor at the Unsecured Creditors Meeting to be held in connection with the Plan and at any and all adjournments, postponements or other rescheduling of such Unsecured Creditors Meeting, and to vote the amount of the Eligible Voting Creditor's claim(s) for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan as follows:

A. (mark one only):

- Vote **FOR** approval of the Plan; or
- Vote **AGAINST** approval of the Plan.

If this proxy is submitted and a box is not marked as a vote for or against approval of the Plan, this proxy shall be voted FOR approval of the Plan.

- and -

B. Vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Eligible Voting Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that

may come before the Unsecured Creditors Meeting or any adjournment, postponement or other rescheduling of the Unsecured Creditors Meeting.

Dated this _____ day of _____, 2012.

Print Name of Eligible Voting Creditor

Title of the authorized signing officer of the corporation, partnership or trust, if applicable

Signature of Eligible Voting Creditor or, if the Eligible Voting Creditor is a corporation, partnership or trust, signature of an authorized signing officer of the corporation, partnership or trust

Telephone number of Eligible Voting Creditor or authorized signing officer

Mailing Address of Eligible Voting Creditor

E-mail address of Eligible Voting Creditor

Print Name of Witness, if Eligible Voting Creditor is an individual

Signature of Witness

INSTRUCTIONS FOR COMPLETION OF PROXY

1. This proxy should be read in conjunction with the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 (as may be amended from time to time, the "Plan") filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Supreme Court of British Columbia (the "Court"), the Information Circular and the Meetings Order.
2. Each Eligible Voting Creditor has the right to appoint a person (who need not be a Creditor) to attend, act and vote for and on behalf of the Eligible Voting Creditor and such right may be exercised by inserting the name of the person to be appointed in the space provided on the proxy.
3. If no name has been inserted in the space provided, the Eligible Voting Creditor shall be deemed to have appointed [Name] of PricewaterhouseCoopers Inc., in its capacity as Monitor, or such other Person as [he/she], in [his/her] sole discretion, may designate to attend on behalf of and act for the Eligible Voting Creditor at the Unsecured Creditors Meeting to be held in connection with the Plan and at any and all adjournments, postponements or other rescheduling of such Unsecured Creditors Meeting.
4. An Eligible Voting Creditor who has given a proxy may revoke it unless such Eligible Voting Creditor has agreed otherwise (as to any matter on which a vote has not already been cast pursuant to its authority) by delivering written notice to the Monitor.
5. If this proxy is not dated in the space provided, it shall be deemed to be dated as of the date on which it is received by the Monitor or the Chair presiding over the Unsecured Creditors Meeting.
6. A valid proxy from the same Eligible Voting Creditor bearing or deemed to bear a later date shall revoke this proxy. If more than one valid proxy from the same Eligible Voting Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such proxies shall not be counted for the purposes of the vote.
7. This proxy confers discretionary authority upon the persons named herein in respect of amendments, variations or supplements to the Plan or other matters that may properly come before the Unsecured Creditors Meeting or any adjournment, postponement or other rescheduling of the Unsecured Creditors Meeting.
8. The Person named in the proxy shall vote the Allowed Claim or Disputed Claim, as applicable, of the Eligible Voting Creditor in accordance with the direction of the Eligible Voting Creditor appointing them on any ballot that may be called for at the Unsecured Creditors Meeting. **IF AN ELIGIBLE VOTING CREDITOR SUBMITS THIS PROXY AND FAILS TO INDICATE ON THIS PROXY A VOTE FOR OR AGAINST APPROVAL OF THE PLAN, THIS PROXY SHALL BE VOTED FOR APPROVAL OF THE PLAN, INCLUDING ANY AMENDMENTS, VARIATIONS OR SUPPLEMENTS THERETO.**
9. This proxy must be signed by the Eligible Voting Creditor or by a person duly authorized (by power of attorney) to sign on the Eligible Voting Creditor's behalf or, if the Eligible

Voting Creditor is a corporation, partnership or trust, by a duly authorized officer or attorney of the corporation, partnership or trust. If you are voting on behalf of a corporation, partnership or trust, you may be required to provide documentation evidencing your power and authority to sign this proxy.

10. A proxy, once duly completed, dated and signed, must be received by the Monitor by email to catalystclaims@ca.pwc.com, or if the completed proxy cannot be sent by email it shall be sent by facsimile, registered mail or courier to:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604-806-7070
Fax: 604-806-7806
Email: catalystclaims@ca.pwc.com

THIS PROXY MUST BE RECEIVED BY THE MONITOR PRIOR TO THE COMMENCEMENT OF THE UNSECURED CREDITORS MEETING ON APRIL 23, 2012 OR, IF THE UNSECURED CREDITORS MEETING IS ADJOURNED, PRIOR TO THE ADJOURNED MEETING. PROXIES CAN BE DELIVERED BY HAND TO THE CHAIR PRIOR TO THE COMMENCEMENT OF THE UNSECURED CREDITORS MEETING. AFTER COMMENCEMENT OF THE UNSECURED CREDITORS MEETING, NO PROXIES CAN BE ACCEPTED BY THE MONITOR OR THE CHAIR.

11. The Petitioner Parties and the Monitor are authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any proxy is completed and executed and may waive strict compliance with the requirements in connection with the deadlines imposed by the Meetings Order.
12. If a Convenience Share Election Form is filed by a Convenience Creditor in accordance with the Meetings Order, such Convenience Share Election Form shall void any proxies previously or subsequently filed by such Convenience Creditor and such Convenience Creditor shall be deemed to have voted in favour of the resolution to approve the Plan and shall not be entitled to vote at the Unsecured Creditors Meeting, whether in person or by proxy.
13. If a Cash Election Form is filed by a General Unsecured Creditor in accordance with the Meetings Order, such Cash Election Form shall void any proxies previously or subsequently filed by such General Unsecured Creditor and such General Unsecured Creditor shall be deemed to have voted in favour of the resolution to approve the Plan and shall not be entitled to vote at the Unsecured Creditors Meeting, whether in person or by proxy.

**SCHEDULE "G" TO MEETINGS ORDER
FORM OF PROXY – UNSECURED NOTEHOLDERS PROXY**

(Attached)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF CATALYST PAPER CORPORATION, CATALYST PAPER GENERAL
PARTNERSHIP AND THE PETITIONERS LISTED IN SCHEDULE "A" TO
THE MEETINGS ORDER

BENEFICIAL NOTEHOLDER VOTING INSTRUCTION FORM

UNSECURED NOTEHOLDER
7 3/8% SENIOR NOTES DUE 2014
CUSIP: 65653RAG8

VOTING RECORD DATE: MARCH 16, 2012
VOTING DEADLINE DATE: APRIL 20, 2012 BEFORE 4 P.M. NYC TIME

Before completing this voting instruction form, please read carefully the accompanying Instructions For Completion of Voting Instruction Form. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 (as may be amended, restated or supplemented from time to time, the "Plan") and filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Supreme Court of British Columbia (the "Court").

In accordance with the Plan, this voting instruction form may only be completed by Unsecured Noteholders having an Allowed Claim or a Disputed Claim ("Eligible Voting Creditors"). This voting instruction form should be returned to your nominee, bank or broker (the "Nominee"), and the information contained in this voting instruction form will be used by the Nominee in completing the Master Proxy that it will submit in connection with the Plan.

In connection with the Master Proxy, the Nominee will appoint Neil Bunker of PricewaterhouseCoopers Inc., in its capacity as Monitor, or such other Person as he, in his sole discretion, may designate (the "Monitor Proxy") to attend on behalf of and act for the Nominee at the Unsecured Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the Unsecured Noteholders Meeting, and to vote the amount of your claim(s), as listed in Item 1 below (or as otherwise affixed to this voting instruction form), for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan. If you do not want the Nominee to appoint the Monitor Proxy to act on the Nominee's behalf with respect to your claims, you should contact the Nominee and you should not complete this voting instruction form.

Item 1. Amount of Unsecured Notes to be Voted at the Meeting

Your bank or broker may have affixed a label to this voting instruction form listing the aggregate principal amount of Unsecured Notes that you held as of the Voting Record Date. If no label has been included, please list the aggregate principal amount of Unsecured Notes held by you as of the Voting Record Date, March 16, 2012:

CUSIP: 65653RAG8

Principal (Par) Amount Held: _____

Item 2. Vote

A. The undersigned directs the Nominee to vote on his/her behalf as follows (mark one only):

- Vote **FOR** approval of the Plan; or
- Vote **AGAINST** approval of the Plan.

(If a box is not marked as a vote for or against approval of the Plan pursuant to this Item 2, this voting instruction form shall be voted **FOR** approval of the Plan.)

- and -

B. In respect of the Eligible Voting Creditor's claim(s), as listed in Item 1 above (or as otherwise affixed to this voting instruction form), the undersigned directs the Nominee to appoint the Monitor Proxy (i) to attend on behalf of and act for the Nominee at the Unsecured Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the Unsecured Noteholders Meeting, and to vote the amount of the undersigned's claim(s), as listed in Item 1 above (or as otherwise affixed to this voting instruction form), for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan, and (ii) to otherwise act for and on behalf of the undersigned with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the Unsecured Noteholders Meeting or any adjournment, postponement or other rescheduling of the Unsecured Noteholders Meeting.

Item 4. *Certification.*

By returning this voting instruction form, the holder of the Unsecured Notes evidenced hereby certifies that (a) it has full power and authority to vote for or against the Plan, (b) it was an Eligible Voting Creditor as of March 16, 2012, (c) it has received a copy of the Information Circular and understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Information Circular, (d) it authorizes its nominee to treat this voting instruction form as a direction to include it on the Master Proxy.

Name of Beneficial Holder (print):				
Bank or Broker with Custody of My Unsecured Notes:				
Signature: X			Date:	
Authorized Contact:			Title:	
Address:				
City:		State/Province:		Zip/Postal:
Telephone:		E-Mail:		

INSTRUCTIONS FOR COMPLETION OF VOTING INSTRUCTION FORM

2. This voting instruction form should be read in conjunction with the Plan, the Information Circular and the Meetings Order.
3. Each Eligible Voting Creditor has the right to appoint a person (who need not be a Creditor) to attend, act and vote for and on behalf of the Eligible Voting Creditor at the Unsecured Noteholders Meeting. If you do not want the Nominee to appoint the Monitor Proxy to act on the Nominee's behalf with respect to your claims, you should contact the Nominee and you should not complete this voting instruction form.
4. An Eligible Voting Creditor who has completed a voting instruction form may revoke it (as to any matter on which a vote has not already been cast pursuant to its authority) by delivering written notice to the Monitor and Globic, in its capacity as Solicitation Agent, unless such Eligible Voting Creditor has agreed otherwise.
5. If this voting instruction form is not dated in the space provided, it shall be deemed to be dated as of the date on which it is received by the Nominee.
6. A valid voting instruction form from the same Eligible Voting Creditor bearing or deemed to bear a later date shall revoke this voting instruction form. If more than one valid voting instruction form from the same Eligible Voting Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such voting instruction forms shall not be counted for the purposes of the vote.
7. This voting instruction form must be signed by the Eligible Voting Creditor or by a person duly authorized (by power of attorney) to sign on the Eligible Voting Creditor's behalf or, if the Eligible Voting Creditor is a corporation, partnership or trust, by a duly authorized officer or attorney of the corporation, partnership or trust. If you are voting on behalf of a corporation, partnership or trust, you may be required to provide documentation evidencing your power and authority to sign this voting instruction form.
8. If this voting instruction form was delivered to you with a return envelope, please return it in the envelope provided to you.

9. **ALL MASTER PROXYS MUST BE RECEIVED BY THE SOLICITATION AGENT BY NO LATER THAN 4:00 P.M. (PREVAILING NEW YORK CITY TIME) ON APRIL 20, 2012 OR, IF THE NOTEHOLDERS' MEETING IS ADJOURNED, BY THE LAST BUSINESS DAY PRECEDING THE DATE TO WHICH IT IS ADJOURNED. PLEASE ALLOW SUFFICIENT TIME FOR YOUR VOTING INSTRUCTION FORM TO REACH THE NOMINEE AND FOR THE NOMINEE TO PROCESS AND SUBMIT THE MASTER PROXY TO THE SOLICITATION AGENT BEFORE THE VOTING DEADLINE.**
10. If you have any questions regarding this voting instruction form, please call Robert Stevens of Globic Advisors, in its capacity as Solicitation Agent, at 1-800-974-5771.
11. The Monitor is authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any voting instruction form / Master Proxy is completed and executed and may waive strict compliance with the requirements in connection with the deadlines imposed by the Meetings Order.

SCHEDULE "H" TO MEETINGS ORDER
FORM OF PROXY – UNSECURED NOTEHOLDERS MASTER PROXY
(Attached)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF CATALYST PAPER CORPORATION, CATALYST PAPER GENERAL
PARTNERSHIP AND THE PETITIONERS LISTED IN SCHEDULE "A" TO
THE MEETINGS ORDER

MASTER PROXY
(FOR USE BY NOMINEE, BANK OR BROKERS)

UNSECURED NOTEHOLDER
7 3/8% SENIOR NOTES DUE 2014
CUSIP: 65653RAG8

VOTING RECORD DATE: MARCH 16, 2012
VOTING DEADLINE DATE: APRIL 20, 2012 BEFORE 4 P.M. NYC TIME

INSTRUCTIONS: DTC Participants holding the above-referenced securities through DTC should complete this Master Proxy on their own behalf or on behalf of the persons for whom they hold the securities, and return this Master Proxy to Globic Advisors, as directed below, before the Voting Deadline Date. **Beneficial Owners** of Unsecured Notes held through a brokerage firm, trust company or other nominee should not use this Master Proxy. Such beneficial owners should contact the Monitor or their nominee, bank or broker or Globic Advisors to obtain a copy of a voting instruction form.

FOR ASSISTANCE in completing this form or for additional materials, please contact Robert Stevens of Globic Advisors, in its capacity as Solicitation Agent, at 1-212-201-5346.

STEP 1: APPOINTMENT OF PROXY / VOTE OF UNSECURED NOTEHOLDERS

THE UNDERSIGNED ELIGIBLE VOTING CREDITOR hereby revokes all proxies previously given and nominates, constitutes, and appoints:

A) in respect of the Eligible Voting Creditor's claim(s), as listed below, Neil Bunker of PricewaterhouseCoopers Inc., in its capacity as Monitor, or such other Person as he, in his sole discretion, may designate (the "Monitor Proxy") (i) to attend on behalf of and act for the Eligible Voting Creditor at the Unsecured Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the Unsecured Noteholders Meeting, and to vote the amount of the Eligible Voting Creditor's claim(s) in the manner indicated below for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan, and (ii) to otherwise act for and on behalf of the undersigned Eligible Voting Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the Unsecured Noteholders Meeting or any adjournment, postponement or other rescheduling of the Unsecured Noteholders Meeting.

CUSIP: 65653RAG8

Votes FOR the Plan		Votes AGAINST the Plan	
Number of Owners	Par Amount	Number of Owners	Par Amount
	\$		\$

B) in respect of the Eligible Voting Creditor's claim(s), as listed below, the applicable individual identified below (i) to attend on behalf of and act for the Eligible Voting Creditor at the Unsecured Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the Unsecured Noteholders Meeting, and to vote the applicable amount of the Eligible Voting Creditor's claim(s), as listed below, for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan, and (ii) to otherwise act for and on behalf of the undersigned Eligible Voting Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the Unsecured Noteholders Meeting or any adjournment, postponement or other rescheduling of the Unsecured Noteholders Meeting.

Name of Beneficial Noteholder	Name of Proxy	Principal Amount Held

Please feel free to attach additional schedules as is necessary.

Any claims listed in clause (B) above shall not be included in clause (A) above, as it is anticipated that claims referenced in clause (B) above will be voted by the appointed person at the Unsecured Noteholder Meeting.

STEP 2: EXECUTION BY AUTHORIZED SIGNATORY

By signing below, the nominee hereby certifies that (i) the summary is a true and accurate schedule of the beneficial owners as of the Voting Record Date of the Unsecured Notes who have delivered voting instruction forms to the undersigned nominee, if applicable, and (ii) the undersigned nominee is the holder, through a position held at DTC, of the Unsecured Notes set forth above.

Date Submitted: _____, 2012

Participant No. _____

Print Name of Company: _____

Authorized Employee Contact (Print Name): _____

Title: _____ Tel. No.: _____

E-Mail: _____

Signature: X _____

MEDALLION STAMP BELOW

STEP 4. DELIVERY OF MASTER PROXY

Please deliver the Master Proxy via both: (a) facsimile or email transmission; and (b) mail to the following address by the Deadline Date:

Globic Advisors
Attn: Robert Stevens
One Liberty Plaza, 23rd Floor
New York, New York 10006
Telephone: (212) 201-5346, Facsimile: (212) 271-3252 E-mail: rstevens@globic.com

*[Copies of this and other documents
should be retained for your files]*

**DELIVERY OF THIS MASTER PROXY OTHER THAN AS SET FORTH ABOVE WILL NOT
CONSTITUTE A VALID DELIVERY.**

SCHEDULE "I" TO MEETINGS ORDER
FORM OF PROXY – FIRST LIEN NOTEHOLDER PROXY
(Attached)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF CATALYST PAPER CORPORATION, CATALYST PAPER GENERAL
PARTNERSHIP AND THE PETITIONERS LISTED IN SCHEDULE "A" TO
THE MEETINGS ORDER

BENEFICIAL NOTEHOLDER VOTING INSTRUCTION FORM

FIRST LIEN NOTEHOLDERS
11% SENIOR SECURED NOTES DUE 2016
CUSIPs: 14888TAC8, C21847AB1, 14888TAD6, AND C21847AC9

VOTING RECORD DATE: MARCH 16, 2012
VOTING DEADLINE DATE: APRIL 20, 2012 BEFORE 4 P.M. NYC TIME

Before completing this voting instruction form, please read carefully the accompanying Instructions For Completion of Voting Instruction Form. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 (as may be amended, restated or supplemented from time to time, the "Plan") and filed pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA") with the Supreme Court of British Columbia (the "Court").

In accordance with the Plan, this voting instruction form may only be completed by First Lien Noteholders having an Allowed Claim or a Disputed Claim ("Eligible Voting Creditors"). This voting instruction form should be returned to your nominee, bank or broker (the "Nominee"), and the information contained in this voting instruction form will be used by the Nominee in completing the Master Proxy that it will submit in connection with the Plan.

In connection with the Master Proxy, the Nominee will appoint Neil Bunker of PricewaterhouseCoopers Inc., in its capacity as Monitor, or such other Person as he, in his sole discretion, may designate (the "Monitor Proxy") to attend on behalf of and act for the Nominee at the First Lien Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the First Lien Noteholders Meeting, and to vote the amount of your claim(s), as listed in Item 1 below (or as otherwise affixed to this voting instruction form), for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan. If you do not want the Nominee to appoint the Monitor Proxy to act on the Nominee's behalf with respect to your claims, you should contact the Nominee and you should not complete this voting instruction form.

Item 1. Amount of First Lien Notes to be Voted at the Meeting

Your bank or broker may have affixed a label to this voting instruction form listing the aggregate principal amount of First Lien Notes that you held as of the Voting Record Date. If you have received multiple Beneficial Noteholder Voting Instruction Forms representing several holdings in the below CUSIPs, please execute each Beneficial Noteholder Voting Instruction Form in the manner prescribed by your nominee bank. If no label has been included, please list the aggregate principal amount of First Lien Notes held by you as of the Voting Record Date, March 16, 2012:

CUSIP: 14888TAC8

Principal (Par) Amount Held: _____

CUSIP: C21847AB1

Principal (Par) Amount Held: _____

CUSIP: 14888TAD6

Principal (Par) Amount Held: _____

CUSIP: C21847AC9

Principal (Par) Amount Held: _____

Item 2. Vote

B. The undersigned directs the Nominee to vote on his/her behalf as follows (mark one only):

Vote **FOR** approval of the Plan; or

Vote **AGAINST** approval of the Plan.

(If a box is not marked as a vote for or against approval of the Plan pursuant to this Item 2, this voting instruction form shall be voted **FOR** approval of the Plan.)

- and -

B. In respect of the Eligible Voting Creditor's claim(s), as listed in Item 1 above (or as otherwise affixed to this voting instruction form), the undersigned directs the Nominee to appoint the Monitor Proxy (i) to attend on behalf of and act for the Nominee at the First Lien Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the First Lien Noteholders Meeting, and to vote the amount of the undersigned's claim(s), as listed in Item 1 above (or as otherwise affixed to this voting instruction form), for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan, and (ii) to otherwise act for and on behalf of the undersigned with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the First Lien Noteholders Meeting or any adjournment, postponement or other rescheduling of the First Lien Noteholders Meeting.

Item 4. *Certification.*

By returning this voting instruction form, the holder of the First Lien Notes evidenced hereby certifies that (a) it has full power and authority to vote for or against the Plan, (b) it was an Eligible Voting Creditor as of March 16, 2012, (c) it has received a copy of the Information Circular and understands that

the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Information Circular, (d) it authorizes its nominee to treat this voting instruction form as a direction to include it on the Master Proxy.

Name of Beneficial Holder (print):				
Bank or Broker with Custody of My First Lien Notes:				
Signature: X		Date:		
Authorized Contact:			Title:	
Address:				
City:		State/Province:		Zip/Postal:
Telephone:		E-Mail:		

INSTRUCTIONS FOR COMPLETION OF VOTING INSTRUCTION FORM

1. This voting instruction form should be read in conjunction with the Plan, the Information Circular and the Meetings Order.
2. Each Eligible Voting Creditor has the right to appoint a person (who need not be a Creditor) to attend, act and vote for and on behalf of the Eligible Voting Creditor at the First Lien Noteholders Meeting. If you do not want the Nominee to appoint the Monitor Proxy to act on the Nominee's behalf with respect to your claims, you should contact the Nominee and you should not complete this voting instruction form.
3. An Eligible Voting Creditor who has completed a voting instruction form may revoke it (as to any matter on which a vote has not already been cast pursuant to its authority) by delivering written notice to the Monitor and Globic, in its capacity as Solicitation Agent, unless such Eligible Voting Creditor has agreed otherwise.
4. If this voting instruction form is not dated in the space provided, it shall be deemed to be dated as of the date on which it is received by the Nominee.
5. A valid voting instruction form from the same Eligible Voting Creditor bearing or deemed to bear a later date shall revoke this voting instruction form. If more than one valid voting instruction form from the same Eligible Voting Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such voting instruction forms shall not be counted for the purposes of the vote.
6. This voting instruction form must be signed by the Eligible Voting Creditor or by a person duly authorized (by power of attorney) to sign on the Eligible Voting Creditor's behalf or, if the Eligible Voting Creditor is a corporation, partnership or trust, by a duly authorized officer or attorney of the corporation, partnership or trust. If you are voting on behalf of a corporation, partnership or trust, you may be required to provide documentation evidencing your power and authority to sign this voting instruction form.

7. If this voting instruction form was delivered to you with a return envelope, please return it in the envelope provided to you.
8. **ALL MASTER PROXYS MUST BE RECEIVED BY THE SOLICITATION AGENT BY NO LATER THAN 4:00 P.M. (PREVAILING NEW YORK CITY TIME) ON APRIL 20, 2012 OR, IF THE NOTEHOLDERS' MEETING IS ADJOURNED, BY THE LAST BUSINESS DAY PRECEDING THE DATE TO WHICH IT IS ADJOURNED. PLEASE ALLOW SUFFICIENT TIME FOR YOUR VOTING INSTRUCTION FORM TO REACH THE NOMINEE AND FOR THE NOMINEE TO PROCESS AND SUBMIT THE MASTER PROXY TO THE SOLICITATION AGENT BEFORE THE VOTING DEADLINE.**
9. If you have any questions regarding this voting instruction form, please call Robert Stevens of Globic Advisors, in its capacity as Solicitation Agent, at 1-800-974-5771.
10. The Monitor is authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any voting instruction form / Master Proxy is completed and executed and may waive strict compliance with the requirements in connection with the deadlines imposed by the Meetings Order.

SCHEDULE "J" TO MEETINGS ORDER
FORM OF PROXY – FIRST LIEN NOTEHOLDERS MASTER PROXY
(Attached)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF CATALYST PAPER CORPORATION, CATALYST PAPER GENERAL
PARTNERSHIP AND THE PETITIONERS LISTED IN SCHEDULE "A" TO
THE MEETINGS ORDER

MASTER PROXY
(FOR USE BY NOMINEE, BANK OR BROKERS)

FIRST LIEN NOTEHOLDERS
11% SENIOR SECURED NOTES DUE 2016
CUSIPs: 14888TAC8, C21847AB1, 14888TAD6, AND C21847AC9

VOTING RECORD DATE: MARCH 16, 2012
VOTING DEADLINE DATE: APRIL 20, 2012 BEFORE 4 P.M. NYC TIME

INSTRUCTIONS: DTC Participants holding the above-referenced securities through DTC should complete this Master Proxy on their own behalf or on behalf of the persons for whom they hold the securities, and return this Master Proxy to Globic Advisors, as directed below, before the Voting Deadline Date. Beneficial Owners of First Lien Notes held through a brokerage firm, trust company or other nominee should not use this Master Proxy. Such beneficial owners should contact the Monitor or their nominee, bank or broker or Globic Advisors to obtain a copy of a voting instruction form.

FOR ASSISTANCE in completing this form or for additional materials, please contact Robert Stevens of Globic Advisors; in its capacity as Solicitation Agent, at 1-212-201-5346.

STEP 1: APPOINTMENT OF PROXY / VOTE OF FIRST LIEN NOTEHOLDERS

THE UNDERSIGNED ELIGIBLE VOTING CREDITOR hereby revokes all proxies previously given and nominates, constitutes, and appoints:

A) in respect of the Eligible Voting Creditor's claim(s), as listed below, Neil Bunker of PricewaterhouseCoopers Inc., in its capacity as Monitor, or such other Person as he, in his sole discretion, may designate (the "Monitor Proxy") (i) to attend on behalf of and act for the Eligible Voting Creditor at the First Lien Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the First Lien Noteholders Meeting, and to vote the amount of the Eligible Voting Creditor's claim(s) in the manner indicated below for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan, and (ii) to otherwise act for and on behalf of the undersigned Eligible Voting Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the First Lien Noteholders Meeting or any adjournment, postponement or other rescheduling of the First Lien Noteholders Meeting.

CUSIP: 14888TAC8

Votes FOR the Plan		Votes AGAINST the Plan	
Number of Owners	Par Amount	Number of Owners	Par Amount
	\$		\$

CUSIP: C21847AB1

Votes FOR the Plan		Votes AGAINST the Plan	
Number of Owners	Par Amount	Number of Owners	Par Amount
	\$		\$

CUSIP: 14888TAD6

Votes FOR the Plan		Votes AGAINST the Plan	
Number of Owners	Par Amount	Number of Owners	Par Amount
	\$		\$

CUSIP: C21847AC9

Votes FOR the Plan		Votes AGAINST the Plan	
Number of Owners	Par Amount	Number of Owners	Par Amount
	\$		\$

B) in respect of the Eligible Voting Creditor's claim(s), as listed below, the applicable individual identified below (i) to attend on behalf of and act for the Eligible Voting Creditor at the First Lien Noteholders Meeting and at any and all adjournments, postponements or other rescheduling of the First Lien Noteholders Meeting, and to vote the applicable amount of the Eligible Voting Creditor's claim(s), as listed below, for voting purposes as determined by and accepted for voting purposes in accordance with the Meetings Order and as set out in the Plan, and (ii) to otherwise act for and on behalf of the undersigned Eligible Voting Creditor with respect to any amendments, modifications, variations or supplements to the Plan and to any other matters that may come before the First Lien Noteholders Meeting or any adjournment, postponement or other rescheduling of the First Lien Noteholders Meeting.

Name of Beneficial Noteholder	Name of Proxy	Principal Amount Held / CUSIP

Please feel free to attach additional schedules as is necessary.

Any claims listed in clause (B) above shall not be included in clause (A) above, as it is anticipated that claims referenced in clause (B) above will be voted by the appointed person at the First Lien Noteholder Meeting.

STEP 2: EXECUTION BY AUTHORIZED SIGNATORY

By signing below, the nominee hereby certifies that (i) the summary is a true and accurate schedule of the beneficial owners as of the Voting Record Date of the First Lien Notes who have delivered voting instruction forms to the undersigned nominee, if applicable, and (ii) the undersigned nominee is the holder, through a position held at DTC, of the First Lien Notes set forth above.

Date Submitted: _____, 2012

Participant No. _____

Print Name of Company: _____

Authorized Employee Contact (Print Name): _____

Title: _____ Tel. No.: _____

E-Mail: _____

Signature: X _____

MEDALLION STAMP BELOW

STEP 4. DELIVERY OF MASTER PROXY

Please deliver the Master Proxy via both: (a) facsimile or email transmission; and (b) mail to the following address by the Deadline Date:

Globic Advisors
Attn: Robert Stevens
One Liberty Plaza, 23rd Floor
New York, New York 10006
Telephone: (212) 201-5346, Facsimile: (212) 271-3252 E-mail: rstevens@globic.com

*[Copies of this and other documents
should be retained for your files]*

**DELIVERY OF THIS MASTER PROXY OTHER THAN AS SET FORTH ABOVE WILL NOT
CONSTITUTE A VALID DELIVERY.**

SCHEDULE "K" TO MEETINGS ORDER**CASH ELECTION FORM****(Attached)**

**CASH ELECTION FORM
FOR GENERAL UNSECURED CREDITORS
THAT ARE NOT CONVENIENCE CREDITORS**

ALL GENERAL UNSECURED CREDITORS WITH AN ALLOWED CLAIM OR DISPUTED CLAIM (IN THE EVENT SUCH DISPUTED CLAIM IS SUBSEQUENTLY ALLOWED) IN EXCESS OF CAD\$10,000 AND WHO WISH TO RECEIVE A CASH PAYMENT AS PROVIDED IN THE PLAN (INSTEAD OF SHARES OR WARRANTS) IN FULL AND FINAL SATISFACTION OF SUCH CLAIM, MUST COMPLETE AND DELIVER THIS ELECTION FORM TO THE MONITOR BY THE DEADLINE SET OUT BELOW.

TO: PRICEWATERHOUSECOOPERS INC., Monitor of Catalyst Paper Corporation, the Other Petitioners Listed in Schedule "A" to the Meetings Order and Catalyst Paper General Partnership (collectively, the "Petitioner Parties")

In connection with the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 pursuant to the *Companies' Creditors Arrangement Act* (as the same may be amended, restated or supplemented from time to time, the "Plan"), the undersigned General Unsecured Creditor is not a Convenience Creditor and hereby irrevocably elects for his, her or its Claim to be reduced to CAD\$10,000 for distribution purposes so that he, she or it can receive a cash payment in full and final satisfaction of such Claim. All initially capitalized terms used in this Cash Election Form shall have the meanings given to them in the Plan.

The undersigned General Unsecured Creditor acknowledges that by making this election, it will be considered a "Convenience Creditor" under the Plan, meaning that upon a distribution under the Plan, it will, together with all other Convenience Creditors, be entitled to receive 50% of its Allowed Claim (as reduced to CAD\$10,000) in full and final satisfaction of its Claim.

The undersigned General Unsecured Creditor further acknowledges that the aggregate distribution under the Plan to all Convenience Creditors (including those who elect to be treated as such) is limited to a maximum of CAD\$2,500,000. The undersigned General Unsecured Creditor acknowledges that, should the proposed distributions to all Convenience Creditors and Cash Electing Creditors exceed this amount, it will receive, in addition to the cash payment permitted by the above, its pro rata share based on the balance of its Claim of certain New Common Shares and Warrants in full and final satisfaction of its Claim.

The undersigned General Unsecured Creditor hereby acknowledges that while the value of its Allowed Claim for purposes of voting on the Plan shall be equal to its Allowed Claim, for distribution purposes it shall be deemed to be CAD\$10,000. The undersigned General Unsecured Creditor hereby further acknowledges that it shall be deemed to vote such Allowed Claim in favour of a resolution to approve the Plan at the Unsecured Creditors Meeting and that it shall not be entitled to vote at the Unsecured Creditors Meeting, whether in person or by proxy. For the avoidance of doubt, this Cash Election Form voids any prior or subsequent proxies delivered to the Monitor.

TO THE EXTENT THAT A GENERAL UNSECURED CREDITOR WITH AN ALLOWED CLAIM OR DISPUTED CLAIM (IN THE EVENT SUCH DISPUTED

CLAIM IS SUBSEQUENTLY ALLOWED) IN EXCESS OF CAD\$10,000 WHO COMPLETES THIS CASH ELECTION FORM, SUCH GENERAL UNSECURED CREDITOR'S CLAIM SHALL BE DEEMED TO BE REDUCED TO CAD\$10,000 AND THAT IT SHALL RECEIVE A DISTRIBUTION UNDER THE PLAN AS A "CONVENIENCE CREDITOR" IN FULL AND FINAL SATISFACTION OF ITS CLAIM. SUCH GENERAL UNSECURED CREDITOR SHALL BE DEEMED TO VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE PLAN AND SHALL NOT BE ENTITLED TO VOTE AT THE UNSECURED CREDITORS MEETING IRRESPECTIVE OF WHETHER SUCH GENERAL UNSECURED CREDITOR FILES A PROXY BEFORE OR AFTER DELIVERING THIS CASH ELECTION FORM.

DATED this _____ day of _____, 2012

(Print Legal Name of General Unsecured Creditor)

(Amount of Allowed Claim)

(Amount of Disputed Claim)

(Print Name, Title and Phone Number of Authorized Signatory)

(Signature)

This Cash Election Form must be duly completed and received by PricewaterhouseCoopers Inc. by no later than 1:00 p.m. (prevailing Pacific time) on April 20, 2012 or, if the Unsecured Creditors Meeting is adjourned, by the last Business Day preceding the date to which it is adjourned, at the following address:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604-806-7070
Fax: 604-806-7806
Email: catalystclaims@ca.pwc.com

**SCHEDULE "L" TO MEETINGS ORDER
CONVENIENCE SHARE ELECTION FORM**

(Attached)

CONVENIENCE SHARE ELECTION FORM

ALL CREDITORS WITH AN ALLOWED CLAIM OR DISPUTED CLAIM (IN THE EVENT SUCH DISPUTED CLAIM IS SUBSEQUENTLY ALLOWED) EQUAL TO, OR LESS THAN, CAD\$10,000 WISHING TO OPT OUT OF THE CONVENIENCE CLASS, MEANING THEY WISH TO RECEIVE THEIR PRO RATA SHARE OF 20% OF THE NEW COMMON STOCK AND WARRANTS SUBJECT TO THE TERMS OF THE PLAN, INSTEAD OF A CASH PAYMENT AS PROVIDED IN THE PLAN, MUST COMPLETE AND DELIVER THIS ELECTION FORM TO THE MONITOR BY THE DEADLINE SET OUT BELOW.

TO: PRICEWATERHOUSECOOPERS INC., Monitor of Catalyst Paper Corporation, the other Petitioners Listed in Schedule "A" to the Meetings Order and Catalyst Paper General Partnership (collectively, the "Petitioner Parties")

In connection with the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 pursuant to the *Companies' Creditors Arrangement Act* (as the same may be amended, restated or supplemented from time to time, the "Plan"), the undersigned Convenience Creditor hereby irrevocably elects to receive its pro rata share of 20% of the New Common Stock and the Warrants (as defined in the Plan) in accordance with and on the terms of the Plan, in full and final satisfaction of its Allowed Claim(s). All initially capitalized terms used herein shall have the meanings given to them in the Plan.

The undersigned Convenience Creditor hereby acknowledges that it shall be deemed to vote in favour of a resolution to approve the Plan at the Unsecured Creditors Meeting and that it shall not be entitled to vote at the Unsecured Creditors Meeting, whether in person or by proxy.

For the avoidance of doubt, this Convenience Share Election Form voids any prior or subsequent proxies delivered to the Monitor.

TO THE EXTENT THAT A CONVENIENCE CREDITOR WITH AN ALLOWED CLAIM OR DISPUTED CLAIM (IN THE EVENT SUCH DISPUTED CLAIM IS SUBSEQUENTLY ALLOWED) EQUAL TO, OR LESS THAN, CAD\$10,000 COMPLETES AND SUBMITS THIS CONVENIENCE SHARE ELECTION FORM, SUCH CONVENIENCE CREDITOR SHALL BE DEEMED TO HAVE OPTED OUT OF THE CONVENIENCE CLASS, SHALL BE DEEMED TO VOTE IN FAVOUR OF THE RESOLUTION TO APPROVE THE PLAN AND SHALL NOT BE ENTITLED TO VOTE AT THE UNSECURED CREDITORS MEETING IRRESPECTIVE OF WHETHER SUCH CONVENIENCE CREDITOR FILES A PROXY BEFORE OR AFTER DELIVERING THIS CONVENIENCE SHARE ELECTION FORM.

DATED this _____ day of _____, 2012

(Print Legal Name of Unsecured Creditor)

(Amount of Allowed Claim)

(Amount of Disputed Claim)

(Print Name, Title and Phone Number of Authorized Signatory)

(Signature)

This Convenience Share Election Form must be duly completed and received by PricewaterhouseCoopers Inc. by no later than 1:00 p.m. (prevailing Pacific time) on April 20, 2012 or, if the Unsecured Creditors Meeting is adjourned, by the last Business Day preceding the date to which it is adjourned, at the following address:

PricewaterhouseCoopers Inc.,
Court-appointed Monitor of Catalyst Paper Corporation et al.
250 Howe Street, Suite 700
Vancouver, British Columbia V6C 3S7
Attention: Patricia Marshall
Telephone: 604-806-7070
Fax: 604-806-7806
Email: catalystclaims@ca.pwc.com

SCHEDULE "M" TO MEETINGS ORDER
FORM OF NEWSPAPER NOTICE
(Attached)

**NOTICE OF THE MEETINGS OF CREDITORS OF CATALYST PAPER
CORPORATION AND THE OTHER PETITIONERS LISTED BELOW**
(collectively, the "Petitioner Parties")

Catalyst Paper General Partnership
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

This notice is being published pursuant to the order of the Supreme Court of British Columbia, Vancouver Registry (the "Court") dated March 22, 2012 (the "Meetings Order") which established the procedures for the Petitioner Parties to call, hold and conduct meetings of certain of their unsecured and secured creditors (together, the "Meetings") to consider and pass resolutions, if thought advisable, approving the Plan of Compromise and Arrangement of the Petitioner Parties dated as of March 15, 2012 (as the same may be amended, restated or supplemented from time to time, the "Plan") and to transact such other business as may be properly brought before the Meetings. The Meetings will be held at the following times and location:

Date: April 23, 2012

Time: 10:00 a.m. (prevailing Pacific time) – Unsecured Class
11:00 a.m. (prevailing Pacific time) – First Lien Notes Class

Location: Delta Vancouver Airport Hotel, 3500 Cessna Drive, Vancouver, British Columbia, V7B 1C7

ONLY THOSE CREDITORS:

- (1) WHO HAVE SUBMITTED A PROOF OF CLAIM IN ACCORDANCE WITH THE TERMS OF THE CLAIMS PROCEDURE ORDER DATED MARCH 22, 2012 (and who have not filed a Cash Election Form or a Convenience Share Election Form);
- (2) ARE HOLDERS OF THE FIRST LIEN AND/OR UNSECURED NOTES ISSUED BY CATALYST PAPER CORPORATION; OR

(3) WHO HAVE RECEIVED A CLAIM AMOUNT NOTICE FROM THE MONITOR IN ACCORDANCE WITH THE CLAIMS PROCEDURE ORDER (and who have not filed a Cash Election Form or a Convenience Share Election Form),

SHALL BE ENTITLED TO ATTEND AND VOTE ON THE RESOLUTIONS TO APPROVE THE PLAN AT THE APPLICABLE MEETING.

Unsecured Creditors that file a Cash Election Form and Convenience Creditors that file a Convenience Share Election Form shall be deemed to vote in favour of the resolution to approve the Plan and shall not be entitled to vote at the Unsecured Creditors Meeting.

The Petitioner Parties may bring an application, if necessary, for an Order that any General Unsecured Creditor (that is not a Convenience Share Election Creditor or a Cash Election Creditor) and any Unsecured Noteholder, who does not vote in person or by proxy, shall be deemed to vote in favour of the resolution to approve the Plan to the extent of his or her or its Allowed Claim.

Creditors may obtain copies of the Plan and more information about the Plan, any amendments that may be made to the Plan and the Meetings on the Monitor's website at www.pwc.com/car-catalystpaper or by contacting the Monitor by telephone at 604-806-7070 or by email at catalystclaims@ca.pwc.com.

If the Plan is approved by the required majority of the Petitioner Parties' creditors in accordance with the *Companies' Creditors Arrangement Act*, and the Meetings Order, the Petitioner Parties intend to bring an application to the Court on April 25, 2012 for approval of an Order sanctioning the Plan.

**SCHEDULE "N" TO MEETINGS ORDER
PLAN RESOLUTION - UNSECURED CLASS
(Attached)**

**PLAN RESOLUTION FOR THE UNSECURED CLASS OF
CATALYST PAPER CORPORATION, THE OTHER PETITIONERS LISTED IN
SCHEDULE "A" TO THE MEETINGS ORDER AND CATALYST PAPER GENERAL
PARTNERSHIP
(collectively, the "Petitioner Parties")**

**Plan of Compromise and Arrangement
under the *Companies' Creditors Arrangement Act***

Capitalized terms used and not defined herein have the meanings ascribed to them in the Plan of Compromise and Arrangement dated as of March 15, 2012 filed by the Petitioner Parties under the *Companies' Creditors Arrangement Act*, as may be amended, restated or supplemented (the "Plan").

BE IT RESOLVED THAT:

1. the Plan presented to Unsecured Eligible Voting Creditors at the Unsecured Creditors Meeting be and hereby is authorized and approved;
2. notwithstanding that this resolution has been passed and the Plan has been approved by the Unsecured Creditors and the Court, the directors of the Petitioner Parties be and hereby are authorized and empowered to amend or not proceed with this resolution in accordance with the Plan; and
3. any directors or officers of the Petitioner Parties are hereby authorized, empowered and instructed, acting for, and in the name of and on behalf of the applicable Petitioner Party (but not the creditors), to execute, or cause to be executed under the seal of such Petitioner Party or otherwise, and to deliver or cause to be delivered for, on behalf of and in the name of such Petitioner Party, all such documents, agreements and instruments and to do or cause to be done all such other acts and things as such director or officer determines to be necessary or desirable in order to carry out the Plan, such determination to be conclusively evidenced by the execution and delivery by such director or officer of such documents, agreements or instruments or the doing of any such act or thing.

**SCHEDULE "O" TO MEETINGS ORDER
PLAN RESOLUTION – FIRST LIEN NOTES CLASS
(Attached)**

**PLAN RESOLUTION FOR THE SECURED NOTEHOLDERS' CLASS OF
CATALYST PAPER CORPORATION, THE OTHER PETITIONERS LISTED IN
SCHEDULE "A" TO THE MEETINGS ORDER AND CATALYST PAPER GENERAL
PARTNERSHIP
(collectively, the "Petitioner Parties")**

**Plan of Compromise and Arrangement
under the *Companies' Creditors Arrangement Act***

Capitalized terms used and not defined herein have the meanings ascribed to them in the Plan of Compromise and Arrangement dated as of March 15, 2012 filed by the Petitioner Parties under the *Companies' Creditors Arrangement Act*, as may be amended, restated or supplemented (the "Plan").

BE IT RESOLVED THAT:

1. the Plan presented to the First Lien Noteholders at the First Lien Noteholders Meeting be and hereby is authorized and approved;
2. notwithstanding that this resolution has been passed and the Plan has been approved by the First Lien Noteholders and the Court, the directors of the Petitioner Parties be and hereby are authorized and empowered to amend or not proceed with this resolution in accordance with the Plan; and
3. any directors or officers of the Petitioner Parties are hereby authorized, empowered and instructed, acting for, and in the name of and on behalf of the applicable Petitioner Party (but not the creditors), to execute, or cause to be executed under the seal of such Petitioner Party or otherwise, and to deliver or cause to be delivered for, on behalf of and in the name of such Petitioner Party, all such documents, agreements and instruments and to do or cause to be done all such other acts and things as such director or officer determines to be necessary or desirable in order to carry out the Plan, such determination to be conclusively evidenced by the execution and delivery by such director or officer of such documents, agreements or instruments or the doing of any such act or thing.

No. Vancouver Registry
IN THE SUPREME COURT OF BRITISH
COLUMBIA

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

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

AND IN THE MATTER OF CATALYST PAPER
CORPORATION AND THOSE CORPORATIONS
DESCRIBED IN THE ATTACHED SCHEDULE
"A"

PETITIONERS

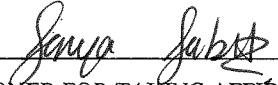
MEETINGS ORDER

Bill Kaplan, Q.C. / Peter Rubin
Blake Cassels & Graydon LLP
Barristers & Solicitors
595 Burrard Street, PO Box 49314
Suite 2600, Three Bentall Centre
Vancouver, B.C. V7X 1L3
Phone: 604.631.3300
Agent: Dye & Durham

This is Exhibit "G"

referred to in the affidavit of Ronald Gary McCaig

sworn before me, this 13th day of April 2012



A COMMISSIONER FOR TAKING AFFIDAVITS

NO. S120712
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

PETITIONERS

PLAN OF COMPROMISE AND ARRANGEMENT

PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)

concerning, affecting and involving

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

March 15, 2012

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PLAN OF COMPROMISE AND ARRANGEMENT
PURSUANT TO THE
COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)

ARTICLE 1
INTERPRETATION

Section 1.1 Definitions

In the Plan (including the Schedules hereto), unless otherwise stated or unless the context otherwise requires:

“ABL Facility” means the revolving asset based loan facility issued pursuant to an amended and restated credit agreement dated as of May 31, 2011, by JP Morgan Securities LLC and CIBC Asset-Based Lending, Inc.;

“ABL Facility Claims” means all outstanding obligations owed to lenders under the ABL Facility;

“Administration Charge” means the charge granted pursuant to paragraph 39 of the Amended and Restated Initial Order, as more particularly set out therein, in favour of the Monitor, counsel to the Monitor, counsel to the Debtors, and counsel to the Directors;

“Affected Claim” means any Claim that is not an Unaffected Claim;

“Affected Creditor” means any Creditor having an Affected Claim in respect of and to the extent of such Affected Claim;

“Allowed” means, with respect to a Claim against any Debtor, (i) any Claim in respect of which a Proof of Claim has or is deemed to have been timely filed in accordance with the Claims Procedure Order and in respect of which no objection has been interposed within the applicable period fixed by the Claims Procedure Order, or (ii) any Claim that is Allowed pursuant to the Plan, Claims Procedure Order, or a Final Order of the Court;

“Amended and Restated Initial Order” means the Order of the Court dated January 31, 2012, as amended and restated on February 3, 2012, and as subsequently amended by further order of the Court, and as may be further amended, supplemented or varied by the Court;

“Business Day” means any day other than a Saturday, Sunday or a day on which banks in Vancouver, British Columbia, Toronto, Ontario, or New York, New York are authorized or obligated by applicable law to close or otherwise are generally closed;

“Cash Election” means an election made by a General Unsecured Creditor who is not otherwise deemed to be a Convenience Creditor in accordance with the terms of the Meetings Order, in full and final satisfaction of his, her or its Allowed Claim, to deem such Creditor’s Claim equal to CAD \$10,000 for distribution purposes, which election shall be deemed a vote in favour of the

resolution to approve the Plan at the Unsecured Creditors Meeting in the full filed amount of such Creditor's Allowed Claim;

"Cash Election Creditor" means a General Unsecured Creditor who is not otherwise deemed to be a Convenience Creditor who makes a valid Cash Election in accordance with the terms of the Meetings Order;

"Catalyst" means Catalyst Paper Corporation, a corporation incorporated under the CBCA;

"Catalyst Companies" means Catalyst and its Subsidiaries;

"CBCA" means the *Canada Business Corporations Act*, R. S. C. 1985, c. C-44, as amended;

"CCAA" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

"CCAA Charges" means, collectively, the Administration Charge, the DIP Lenders' Charge, the Critical Suppliers' Charge, the D&O Charge, the Financial Advisor Charge, the KERP Charge, and any other charge over the Debtors' assets created by other Order of the Court and included in "Charges" (as such term is defined in the Amended and Restated Initial Order and as such charges may be amended, modified or varied by further Order of the Court);

"CCAA Proceedings" means the CCAA proceedings commenced by the Debtors, being British Columbia Supreme Court Action No. S120712, on the Commencement Date pursuant to the Amended and Restated Initial Order;

"Chapter 15 Proceedings" means the proceedings commenced under chapter 15 of the U.S. Bankruptcy Code on the Commencement Date in the U.S. Court, Case No. 12-10221;

"Claim" means any Pre-Commencement Claim, Restructuring Claim or Directors/Officers Claim;

"Claims Bar Date" means 5:00 p.m. (prevailing Pacific Time) on April 18, 2012, or such other date as may be ordered by the Court;

"Claims Officer" shall have the meaning ascribed to such term in the Claims Procedure Order;

"Claims Procedure Order" means the Order of the Court, dated March 21, 2012, approving and directing the establishment of a procedure for filing Proofs of Claim and resolving Disputed Claims, as amended or varied by further Order;

"Class" means a category of Creditors holding Affected Claims as described more fully in ARTICLE 3 hereof;

"Class A Noteholders" means all holders of Class A Notes;

"Class A Notes" means the 11% senior secured notes due December 15, 2016, in the principal amount of US\$280,434,000, issued by Catalyst pursuant to the Class A Notes Indenture;

“Class A Notes Indenture” means that certain indenture dated as of March 10, 2010, among Catalyst, the guarantors party thereto, and the First Lien Notes Indenture Trustee, as amended, modified or supplemented prior to the date hereof;

“Class B Noteholders” means all holders of Class B Notes;

“Class B Notes” means the Class B 11% senior secured notes due December 15, 2016, in the principal amount of US\$110,000,000, issued by Catalyst pursuant to the Class B Notes Indenture;

“Class B Notes Indenture” means that certain indenture dated as of May 19, 2010, among Catalyst, the guarantors party thereto, and the First Lien Notes Indenture Trustee, as amended, modified or supplemented prior to the date hereof;

“Commencement Date” means January 31, 2012;

“Conditions Precedent” means those conditions precedent to the effectiveness of the Plan set forth in Section 5.1 hereof;

“Consenting Noteholders” means the Initial Supporting Noteholders and all other Noteholders that have signed a joinder to the Restructuring and Support Agreement;

“Convenience Cash Amount” means, in respect of the Allowed Claims of General Unsecured Cash Creditors, cash in an amount equal to 50% of such Creditor’s Allowed Claim for distribution purposes, subject to the Maximum Convenience Claims Pool and the terms hereof;

“Convenience Claim” means a General Unsecured Claim equal to or less than CAD \$10,000;

“Convenience Creditor” means a holder of a Convenience Claim;

“Convenience Share Election” means an election made by a Convenience Creditor in accordance with the terms of the Meetings Order to receive, in full and final satisfaction of his, her or its Allowed Claim, such Creditor’s pro rata share of New Common Shares and Warrants allocable to Unsecured Creditors pursuant to the Plan, which election shall be deemed a vote in favour of the resolution to approve the Plan at the Unsecured Creditors Meeting to the extent of such Creditor’s Allowed Claim;

“Convenience Share Election Creditor” means a Convenience Creditor who makes a Convenience Share Election in accordance with the terms of the Meetings Order;

“Court” means the Supreme Court of British Columbia;

“Creditor” means any Person having a Claim and includes, without limitation, the transferee or assignee of a transferred Claim that is recognized as a Creditor in accordance with paragraph 35 of the Claims Procedure Order, or a trustee, liquidator, receiver, manager, or other Person acting on behalf of such Person;

“Critical Supplier Order” means that certain Order of the Court, dated February 6, 2012, as may be amended and restated;

“Critical Suppliers” shall have the meaning set forth in paragraph 25 of the Amended and Restated Initial Order, as amended and restated in the Critical Supplier Order, and as may be further amended and restated by Order of the Court;

“Critical Suppliers’ Charge” shall have the meaning set forth in paragraph 25 of the Amended and Restated Initial Order, as amended and restated in the Critical Supplier Order, and as may be further amended and restated by Order of the Court;

“D&O Charge” means the charge in favour of the directors and officers of the Debtors granted pursuant to paragraph 29 of the Amended and Restated Initial Order, paragraph 3 of the Court’s Order dated February 14, 2012, and paragraph 1 of the Court’s Order dated March 8, 2012, as more particularly set out therein;

“Debtors” means Catalyst and the following subsidiaries of Catalyst: 0606890 B.C. Ltd., Catalyst Paper General Partnership, Catalyst Paper Energy Holdings Inc., Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Limited, Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Limited, Pacifica Poplars Ltd., Catalyst Paper Holdings Inc., Catalyst Paper Recycling Inc., Catalyst Paper (Snowflake) Inc., Catalyst Paper (USA) Inc., Pacifica Papers Sales Inc., Pacifica Papers USA Inc., Pacifica Poplars Inc. and The Apache Railway Company;

“DIP Agent” means JPMorgan Chase Bank, N.A., in its capacity as administrative agent under the DIP Credit Agreement;

“DIP Credit Agreement” means that certain agreement dated as of February 7, 2012, among the Debtors, the DIP Agent, and the DIP Lenders;

“DIP Facility” means the credit facility approved by the Court pursuant to paragraph 41 of the Amended and Restated Initial Order;

“DIP Facility Claims” means all outstanding obligations owed to the DIP Lenders under the DIP Credit Agreement;

“DIP Lenders” means the DIP Agent as lender and the other lenders from time to time party to the DIP Credit Agreement;

“DIP Lenders’ Charge” means the charge in favour of the DIP Lenders granted pursuant to paragraph 45 of the Amended and Restated Initial Order, as more particularly set out therein;

“Director” means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director of any one or more of the Debtors;

“Directors/Officers Claim” means any right or claim of any Person against one or more of the Directors and/or Officers that relates to a Pre-Commencement Claim or a Restructuring Claim, howsoever arising, for which the Directors and/or Officers are by statute or otherwise by law liable to pay in their capacity as Directors and/or Officers or in any other capacity;

“Disputed” means, with respect to an Affected Claim, the amount of an Affected Claim (including a contingent Affected Claim which may crystallize upon the occurrence of an event or events occurring after the Commencement Date) or such portion thereof which is not yet Allowed, which is disputed and which is subject to adjudication in accordance with the Claims Procedure Order;

“Disputed Claims Reserve” means the reserve, if any, to be established and maintained by the Debtors or the Monitor, as applicable, which shall be initially comprised of the following:

- a. cash in an aggregate amount equal to the sum of all Convenience Cash Amounts payable pursuant to the terms hereof, subject to the Maximum Convenience Claims Pool, that would have been distributed on the Initial Distribution Date in respect of the Disputed Claims of General Unsecured Cash Creditors, if such Disputed Claims had been Allowed Claims as of such date; and
- b. the New Common Shares and the Warrants that would have been distributed on the Initial Distribution Date in respect of the Disputed Claims of (i) General Unsecured Share Creditors and, (ii) solely to the extent the Maximum Convenience Claims Pool is exceeded, General Unsecured Cash Creditors, if such Disputed Claims had been Allowed Claims as of such date;

which amount, or such lesser amount as the Court may order, shall be held by the Debtors or the Monitor, as applicable, in escrow for distribution in accordance with the Plan;

“Distribution Date” means the date or dates from time to time set in accordance with the provisions of the Plan to effect distributions in respect of the Allowed Claims, including the Final Distribution Date but excluding the Initial Distribution Date;

“DTC” means The Depository Trust Company, through its nominee company Cede & Co.;

“Effective Date” means the Business Day, which date shall be acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and in accordance with the Restructuring and Support Agreement, on which (i) the Conditions Precedent have been satisfied, fulfilled or waived in accordance with the terms hereof, as applicable, and (ii) the Monitor has completed and filed its certificate with the Court in accordance with Section 5.3 hereof;

“Effective Time” means the time on the Effective Date when the Monitor has filed its certificate with the Court in accordance with Section 5.3 hereof;

“Elected Noteholder” means any Noteholder who would otherwise have become a “control person” under applicable Canadian securities laws immediately following the Effective Time solely as a result of the Plan who elects, by giving notice in form and manner described in Section 6.6 hereof, to receive the Exchange Warrants instead of Excess New Common Shares;

“Eligible Holder” means a holder of First Lien Notes or Unsecured Notes who is (a) a resident of Canada for the purposes of the Tax Act and any applicable income tax treaty, holding First

Lien Notes or Unsecured Notes that meet the definition of "eligible property" for the purposes of the Tax Act, and who is not exempt from tax on income under the Tax Act, or (b) a non-resident of Canada for the purposes of the Tax Act and any applicable income tax treaty, holding First Lien Notes or Unsecured Notes that meet the definition of "eligible property" for the purposes of the Tax Act, and who would be subject to Canadian tax in respect of any gain realized on the disposition of First Lien Notes or Unsecured Notes under the Plan if no tax election described in Section 6.4 hereof were made in respect of such disposition, or (c) a partnership if one or more members of the partnership are described in (a) or (b);

"Equity Interests" means all common shares of Catalyst, including all options, warrants, rights or similar instruments derived from, relating to or convertible, exchangeable or exercisable for common shares, issued and outstanding as of the Effective Date immediately prior to the Effective Time;

"Excess New Common Shares" means such New Common Shares that an Electing Noteholder would have received immediately following the Effective Time that would have resulted in such Electing Noteholder holding in excess of 20% of the total New Common Shares issued on the Effective Date pursuant to the Plan;

"Exchange Warrants" means warrants exercisable commencing immediately after the Effective Time for no additional consideration, pursuant to an agreement between Catalyst and an Electing Noteholder, which agreement shall be in form and substance satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders, entitling such Electing Noteholder to acquire New Common Shares in an amount equal to the Excess New Common Shares such Electing Noteholder would otherwise have been entitled to receive pursuant to the Plan had they not elected to receive such warrants;

"Existing Shareholders" means all holders of Equity Interests;

"Exit Facility" means, to the extent necessary, an exit financing facility acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders;

"Final Distribution Date" means a Business Day to be chosen by Catalyst, in consultation with the Monitor and acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, on which the final distribution shall be made in respect of Allowed Claims, which date shall be a date after all Disputed Claims have been finally determined in accordance with the Claims Procedure Order;

"Final Order" means an Order, ruling or judgment of the Court, or any other court of competent jurisdiction, which has not been reversed, modified or vacated, and is not subject to any stay or appeal, and for which any and all applicable appeal periods have expired;

"Financial Advisor Charge" means the charge in favour of the Debtors' financial advisors, Perella Weinberg Partners L.P., granted pursuant to paragraph 12 of the Court's Order dated March 9, 2012, as more particularly set out therein;

“First Lien Noteholders” means all holders of First Lien Notes, including where applicable beneficial holders of First Lien Notes;

“First Lien Noteholders Meeting” means the meeting of the First Lien Noteholders to be held on the Meeting Date for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meetings Order;

“First Lien Notes” means, collectively, the Class A Notes and the Class B Notes;

“First Lien Notes Claims” means all Claims for amounts due in respect of the First Lien Notes, including without limitation outstanding principal and the First Lien Notes Unpaid Interest;

“First Lien Notes Claims Class” means the Class comprising the First Lien Noteholders;

“First Lien Notes Indenture Trustee” means, collectively, Wilmington Trust, National Association, as indenture trustee and Computershare Trust Company of Canada as collateral trustee;

“First Lien Notes Indentures” means the Class A Notes Indenture and the Class B Notes Indenture;

“First Lien Notes Unpaid Interest” means an amount equal to accrued and unpaid interest under the First Lien Notes as of the Effective Date, such interest calculated using the applicable interest rate under the First Lien Notes Indentures, which shall include, where applicable, interest calculated at the default rate thereunder;

“General Unsecured Cash Creditor” means, collectively, (i) Convenience Creditors who have not made a valid Convenience Share Election and (ii) Cash Election Creditors;

“General Unsecured Claims” means all Claims against any Debtor, including Convenience Claims, but not including Unsecured Notes Claims, that have not otherwise been satisfied through arrangements with the Debtors in accordance with the Amended and Restated Initial Order;

“General Unsecured Creditors” means holders of General Unsecured Claims;

“General Unsecured Share Creditor” means, collectively, (i) General Unsecured Creditors who are not Convenience Creditors and have not made a valid Cash Election and (ii) Convenience Share Election Creditors;

“Governmental Priority Claims” means all Claims that fall within section 37 of the CCAA;

“Governmental Entity” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled

or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“Indenture Trustees” means the First Lien Notes Indenture Trustee and the Unsecured Notes Indenture Trustee;

“Information” means information set forth or incorporated in Catalyst’s public disclosure documents filed with applicable Canadian securities regulators and the Securities and Exchange Commission under applicable securities legislation prior to March 15, 2012, or otherwise disclosed by Catalyst in writing to each of the Initial Supporting Noteholders under the Restructuring and Support Agreement prior to March 15, 2012;

“Initial Distribution Date” means a Business Day, as soon as practicable after the Effective Date, to be chosen by Catalyst, in consultation with the Monitor and acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, on which the first distribution shall be made in respect of Allowed Claims;

“Initial Supporting First Lien Noteholders” means each First Lien Noteholder who has executed the Restructuring and Support Agreement as of March 11, 2012, in respect of its First Lien Notes;

“Initial Supporting Noteholders” means the Initial Supporting First Lien Noteholders and the Initial Supporting Unsecured Noteholders;

“Initial Supporting Unsecured Noteholders” means each Unsecured Noteholder who has executed the Restructuring and Support Agreement as of March 11, 2012, in respect of its Unsecured Notes;

“Intercompany Claim” means any Claim of a Debtor against another Debtor or a non-Debtor Subsidiary against a Debtor;

“KERP” means Catalyst’s key employee retention plan as approved by Order of this Court made March 9, 2012, and as shall be further amended as a Condition Precedent to the implementation of the Plan as set forth in Subsection 5.1(p) hereof;

“KERP Charge” means the charge in favour of the employee beneficiaries of the KERP granted pursuant to paragraph 6 of the Court’s Order dated March 9, 2012, as more particularly set out therein;

“Law” or **“Laws”** means all federal, state and provincial codes, conventions, laws, ordinances, policies, by-laws, statutes, rules, regulations, principles of law and equity, orders, rulings, ordinances, judgments, injunctions, determinations, awards, decrees or other requirements and the terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity or self-regulatory authority (including the TSX), and the term “applicable” with respect to such laws means such laws as are applicable to the referenced party or its business, undertaking, property or securities and emanate from a person having jurisdiction over the party or parties or its or their business, undertaking, property or securities;

“Lien” means any valid and enforceable mortgage, charge, pledge, assignment by way of security, lien, hypothec, security interest, deemed trust or other encumbrance granted or arising pursuant to a written agreement or statute or otherwise created by law;

“Management Incentive Plan” means any new management incentive plan approved by the new board of directors of reorganized Catalyst after the Effective Date;

“Majority Initial Supporting Noteholders” means a majority of the Noteholders who executed the Restructuring and Support Agreement as of March 11, 2012, where each such Noteholder will have one vote and a majority of votes will govern;

“Material Adverse Effect” means an event, change or occurrence that, individually or together with any other event, change or occurrence, has a material adverse impact on the financial condition, business or results of operations of the Catalyst Companies (taken as a whole) and shall include, without limitation, the disposition by any of the Catalyst Companies of any material asset without the prior written consent of the Consenting Noteholders; provided, however, that a Material Adverse Effect shall not include and shall be deemed to exclude the impact of: (A) changes in Laws of general applicability or interpretations thereof by courts or governmental or regulatory authorities, (B) any change in the paper industry generally, which does not disproportionately adversely affect the Catalyst Companies, (C) actions and omissions of the Catalyst Companies taken with the prior written consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, (D) the effects of compliance with the Restructuring and Support Agreement, including on the operating performance of the Catalyst Companies, (E) the negotiation, execution, delivery, performance, consummation, potential consummation or public announcement of the Restructuring and Support Agreement or the transactions contemplated by the Restructuring and Support Agreement, (F) changes in the market price or trading volume of the First Lien Notes, Unsecured Notes or Equity Interests (it being understood that any cause of any such change may be taken into consideration when determining whether a Material Adverse Effect has occurred); (G) any change in U.S. or Canadian interest rates or currency exchange rates unless such change has a disproportionate effect on the Catalyst Companies; (H) the CCAA Proceedings, the Chapter 15 Proceedings and related costs and expenses being incurred by Catalyst; (I) Catalyst entering into the DIP Credit Agreement; and (J) Catalyst’s common shares being suspended from trading then delisted from the TSX effective March 8, 2012.;

“Maximum Convenience Claims Pool” means CAD \$2,500,000, funded by the Debtors, which is the aggregate amount of cash available to pay all Convenience Cash Amounts;

“Meeting Date” means April 23, 2012;

“Meetings” means, collectively, the Unsecured Creditors Meeting and the First Lien Noteholders Meeting;

“Meetings Order” means the Order of the Court dated March 21, 2012, setting the Meeting Date, approving the procedures for the Meetings, and authorizing the dissemination of the documents relating thereto;

“Monitor” means PricewaterhouseCoopers Inc., in its capacity as Court-appointed Monitor pursuant to the Amended and Restated Initial Order;

“New ABL Facility” means any new ABL facility entered into on the Effective Date, acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders;

“New ABL Facility Lender” means the lender(s) under the New ABL Facility;

“New Common Shares” means the new common shares of reorganized Catalyst to be issued pursuant to Section 6.2 hereof;

“New First Lien Coupon Notes” means the secured, first lien coupon notes to be issued on the Effective Date pursuant to Section 6.2 hereof;

“New First Lien Notes” means the secured, first lien notes to be issued on the Effective Date pursuant to Section 6.2 hereof;

“New First Lien Notes Indenture” means the indenture, dated as of the Effective Date, among Catalyst, the guarantors party thereto, and the First Lien Notes Indenture Trustee, pursuant to which the New First Lien Notes and the New First Lien Coupon Notes will be issued, as may be amended, modified or supplemented, which shall be in form and substance acceptable to the Majority Initial Supporting Noteholders and the First Lien Notes Indenture Trustee;

“New First Lien Notes Security” means the guarantees and security to be provided under the New First Lien Notes Indenture;

“New Labour Contracts” means the new labour agreements ratified by the Pulp, Paper and Woodworkers Union of Canada (“PPWC”) and the Communications, Energy and Paperworkers Union of Canada (“CEP”);

“Noteholders” means, collectively, the First Lien Noteholders and the Unsecured Noteholders;

“Officer” means any Person who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer of any one or more of the Debtors;

“Order” means any order of the Court, or another court of competent jurisdiction, in these proceedings;

“Person” means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status;

“Plan” means this Plan of Compromise and Arrangement filed by the Debtors pursuant to the CCAA, including the Schedules hereto, as may be amended, varied or supplemented hereafter in accordance with the terms hereof or made at the direction of the Court in the Sanction Order with

the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders;

“Plan Equity Value” means \$74,500,000;

“Plan Securities” means the New Common Shares, the New First Lien Notes, the New First Lien Coupon Notes, any Exchange Warrants and the Warrants, to be issued pursuant to Section 6.2 hereof and distributed pursuant to Section 6.3 hereof;

“Post-Filing Interest and Costs” means all interest other than the Unpaid Interest accrued or accruing on or after the Commencement Date on or in respect of an Affected Claim and all costs and expenses incurred on or after Commencement Date pursuant to or in respect of an Affected Claim;

“Pre-Commencement Claim” means any right or claim of any Person that may be asserted or made in whole or in part against the Debtors (or any of them), whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, in existence on, or which is based on, an event, fact, act or omission which occurred in whole or in part prior to the Commencement Date, at law or in equity, by reason of the commission of a tort (intentional or unintentional), any breach of contract or other agreement (oral or written), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any reason whatsoever against any of the Debtors or any their property or assets, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims not referred to above that are or would be claims provable in bankruptcy had the Debtors (or any one of them) become bankrupt on the Commencement Date, and for greater certainty, includes any Tax Claim; *provided, however,* that “Pre-Commencement Claim” shall not include an Unaffected Claim or any contingent liabilities that may be crystallized in the future under any applicable environmental laws of British Columbia arising from the Debtors’ operations and undertakings at Powell River, Port Alberni and Crofton, all situated in the Province of British Columbia;

“Prior CBCA Proceeding” means the Debtors’ in and out of court restructuring efforts pursuant to the CBCA, including the formulation, preparation, dissemination, and negotiation of a plan of arrangement and the filing of a proceeding in this Court;

“Proof of Claim” means the form to be completed and filed by a Creditor, in accordance with the Claims Procedure Order, setting forth its proposed Claim(s);

“Record Date” means March 16, 2012;

“Registered Shareholder” means a holder of Equity Interests as shown on the securities register maintained by or on behalf of Catalyst;

“Released Parties” means, collectively, each in their respective capacities as such, (i) the Officers, employees, legal and financial advisors, and other representatives of the Debtors as of the Commencement Date; (ii) the Directors and their legal and financial advisors; (iii) the First Lien Notes Indenture Trustee, the First Lien Notes Indenture Trustee’s legal advisors, and the First Lien Noteholders; (iv) the members of the Steering Group and any other Initial Supporting Noteholders and their legal and financial advisors; (v) the Initial Supporting Unsecured Noteholders and their legal and financial advisors; (vi) the Unsecured Notes Indenture Trustee and the Unsecured Noteholders; (vii) the Monitor and their legal advisors; and (viii) current and former holders of Equity Interests;

“Required Majority” means, with respect to each Voting Class, a majority in number of Affected Creditors who represent at least two-thirds in value of the Allowed Claims of Affected Creditors who actually vote or are deemed to have voted pursuant to the Meetings Order on the resolution approving the Plan (in person, by proxy or by ballot) at the Meetings, which tally may include, subject to an Order of the Court which may be sought after the Meeting Date, the Claims of other Unsecured Creditors that may be deemed by such Order to vote in favour of the resolution approving the Plan;

“Restructuring and Support Agreement” means the Restructuring and Support Agreement, dated March 11, 2012, among Catalyst, certain of its Subsidiaries, and the Consenting Noteholders;

“Restructuring Claim” means any right or claim of any Person against the Debtors (or any one of them) in connection with any indebtedness, liability or obligation of any kind whatsoever owed by the Debtors (or any one of them) to such Person arising out of the restructuring, disclaimer, resiliation, termination, or breach on or after the Commencement Date of any contract, employment agreement, lease or other agreement or arrangement, whether written or oral, and whether such restructuring, disclaimer, resiliation, termination or breach took place or takes place before or after the date of the Claims Procedure Order, and includes for greater certainty any right or claim of an employee of any of the Debtors arising from a termination of its employment after the Commencement Date; provided, however, that “Restructuring Claim” shall not include an Unaffected Claim;

“Restructuring Expenses” means the expenses provided for in Section 6.11 hereof;

“Sanction Order” means an Order by the Court under the CCAA to, among other things, sanction, authorize and approve the Plan, in a form and substance satisfactory to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders;

“Securities” means the First Lien Notes, the Unsecured Notes, and the Equity Interests;

“Steering Group” means the steering group of the First Lien Noteholders;

“Subsidiaries” means corporations or other Persons in which Catalyst has a direct or indirect controlling equity interest, including any subsidiary body corporate as defined in the CBCA;

“Tax” or **“Taxes”** means any and all amounts subject to a withholding or remitting obligation and any and all taxes, duties, fees, and other governmental charges, duties, impositions and liabilities of any kind whatsoever whether or not assessed by the Taxing Authorities (including any Claims by any of the Taxing Authorities), including all interest, penalties, fines, fees, other charges and additions with respect to such amount;

“Tax Act” means the *Income Tax Act* (Canada), as amended;

“Tax Claim” means any Claim against the Debtors (or any of them) for any Taxes in respect of any taxation year or period ending on or prior to the Commencement Date, and in any case where a taxation year or period commences on or prior to the Commencement Date, for any Taxes in respect of or attributable to the portion of the taxation period commencing prior to the Commencement Date and up to and including the Commencement Date. For greater certainty, a Tax Claim shall include, without limitation, any and all Claims of any Taxing Authority in respect of transfer pricing adjustments and any Canadian or non-resident Tax related thereto;

“Taxing Authorities” means Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of each and every province or territory of Canada and any political subdivision thereof, and any Canadian or foreign governmental authority, and **“Taxing Authority”** means any one of the Taxing Authorities;

“TSX” means the Toronto Stock Exchange;

“Unaffected Claim” means, subject to further order of the Court:

- a. any right or claim of any Person that may be asserted or made in whole or in part against the Debtors (or any of them) in connection with any indebtedness, liability or obligation of any kind which arose in respect of obligations first incurred on or after the Commencement Date (other than Restructuring Claims and Directors/Officers Claims) and any interest thereon, including any obligation of the Debtors toward creditors who have supplied or shall supply services, utilities, goods or materials or who have or shall have advanced funds to the Debtors on or after the Commencement Date, but only to the extent of their claims in respect of the supply of such services, utilities, goods, materials or funds on or after the Commencement Date;
- b. any Claim secured by any CCAA Charge;
- c. that portion of a Claim arising from a cause of action for which the Debtors are covered by insurance, but only to the extent of such coverage;
- d. any ABL Facility Claim;
- e. any DIP Facility Claim;

- f. any Intercompany Claim;
- g. any Claim referred to in sections 6(3), 6(5) and 6(6) of the CCAA;
- h. any Governmental Priority Claim;
- i. any claims with respect to reasonable fees and disbursements of counsel of any Debtor, the Monitor, a Claims Officer, any Assistant (as defined in paragraph 5 of the Amended and Restated Initial Order), or any financial advisor retained by any of the foregoing, as approved by the Court to the extent required;
- j. any Claim of any employee of the Debtors (or any of them) employed by the Debtors (or any of them) as of the Commencement Date, but only in respect of a Claim for wages, including vacation pay and banked time;
- k. any Claim secured by a Lien other than the First Lien Notes Claims; and
- l. any Claim existing on the Commencement Date that has been satisfied, cured or rectified on or before the date of the Sanction Order;

“Unpaid Interest” means, collectively, the First Lien Notes Unpaid Interest and the Unsecured Notes Unpaid Interest;

“Unsecured Claims” means the Unsecured Notes Claims and the General Unsecured Claims, including Convenience Claims;

“Unsecured Claims Class” means the Class comprising the Unsecured Claims;

“Unsecured Creditors” means the Unsecured Noteholders and the General Unsecured Creditors;

“Unsecured Creditors Meeting” means the meeting of the Unsecured Creditors to be held on the Meeting Date for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting;

“Unsecured Noteholders” means all holders of Unsecured Notes, including where applicable beneficial holders of Unsecured Notes;

“Unsecured Notes” means the 7½ % senior notes due March 1, 2014, in the principal amount of \$250,000,000 issued by Catalyst pursuant to the Unsecured Notes Indenture;

“Unsecured Notes Claims” means all Claims for amounts due in respect of the Unsecured Notes, including without limitation outstanding principal and the Unsecured Notes Unpaid Interest;

“Unsecured Notes Indenture” means that certain indenture, dated as of March 23, 2004, among Catalyst, the guarantors party thereto and the Unsecured Notes Indenture Trustee, as trustee, as amended, modified or supplemented prior to the date hereof;

“Unsecured Notes Indenture Trustee” means Wells Fargo Bank, National Association;

“Unsecured Notes Unpaid Interest” means an amount equal to the accrued and unpaid interest under the Unsecured Notes as of the Effective Date, such interest calculated using the applicable contract rate under the Unsecured Notes Indenture;

“U.S. Bankruptcy Code” means title 11 of the United States Code, as amended;

“U.S. Court” means the United States Bankruptcy Court for the District of Delaware;

“Voting Classes” means the Unsecured Claims Class and the First Lien Notes Claims Class;

“Warrants” means the warrants, with a cashless exercise feature, exercisable in the four year period following the Effective Date for 15% of the fully diluted New Common Shares as of the Effective Date at a strike price equal to the Plan Equity Value plus 50%, to be issued on the Effective Date pursuant to Section 6.2 hereof; and

“Warrant Agreement” means the warrant agreement to be entered into among Catalyst and a warrant agent designated by the Debtors, the Majority Initial Supporting Noteholders, and the Initial Supporting Unsecured Noteholders, on or before the Effective Date, pursuant to which the Warrants will be issued, as may be amended, modified or supplemented, which shall be in form and substance satisfactory to the Majority Initial Supporting Noteholders and the Initial Supporting Unsecured Noteholders.

Section 1.2 Accounting Terms.

All accounting terms not otherwise defined herein shall have the meaning ascribed to them in accordance with Canadian generally accepted accounting principles including those prescribed by the Canadian Institute of Chartered Accountants.

Section 1.3 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Plan and not to any particular article, section, subsection, clause or paragraph of the Plan and include any agreements supplemental hereto. In the Plan, a reference to an article, section, subsection, clause or paragraph shall, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Plan.

Section 1.4 Interpretation Not Affected by Headings

The division of the Plan into articles, sections, subsections, clauses and paragraphs and the insertion of a table of contents and headings are for convenience of reference only and shall not affect the construction or interpretation of the Plan.

Section 1.5 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

Section 1.6 Time

All times expressed herein are local time in Vancouver, British Columbia, Canada unless otherwise stipulated.

Section 1.7 Definitions in the CCAA

A word or words with initial capitalized letters used herein and not defined herein but defined in the CCAA shall have the meaning ascribed thereto in the CCAA as of the date hereof unless the context otherwise requires.

Section 1.8 Number, Etc.

In the Plan, where the context requires, a word importing the singular number shall include the plural and vice versa; a word or words importing gender shall include all genders and the words "including" and "includes" mean "including (or includes) without limitation".

Section 1.9 Currency

Unless otherwise specified, all references to monetary amounts are to lawful currency of the United States of America. All Affected Claims denominated in a currency other than U.S. Dollars shall, for the purposes of the Plan, be converted to and shall constitute obligations in U.S. dollars, such calculation to be effected using the Bank of Canada noon spot rate on the Commencement Date (exchange rate conversion on such date was: USD \$1.00 = CAD \$1.0052).

Section 1.10 Statutory References

Except as provided herein, any reference in the Plan to a statute includes all regulations and rules made thereunder, all amendments to such statute, regulation or rules in force from time to time, and any statute, regulation or rule that supplements or supersedes such statute or regulation.

Section 1.11 Governing Law

The Plan shall be governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable thereto. All questions as to the interpretation or application of the Plan and all proceedings taken in connection with the Plan shall be subject to the exclusive jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF PLAN

Section 2.1 Purpose

The purpose of the Plan is to effect a compromise of Affected Claims to enable the Debtors' businesses to continue, and to maximize the recovery of the Debtors' Creditors. Ensuring the continuance of the Debtors' businesses will significantly benefit all stakeholders, including the Debtors' many current and former employees, trade suppliers, customers, and the communities in which the Debtors operate. The successful implementation of this Plan will provide greater benefits to all Persons with an economic interest in the Debtors than would result from the bankruptcy of the Debtors, which benefits will have far-reaching positive effects on the economy as a whole.

Section 2.2 Agreement

The Plan is made pursuant and subject to the provisions of the Restructuring and Support Agreement.

Section 2.3 Affected Creditors

On the Effective Date, the Plan will be binding on each Debtor and all Affected Creditors to the extent of their Affected Claims. For greater certainty, the terms "Claim" and "Affected Claim" do not include any obligation of the Debtors to any current employee, former employee, retired employee, pension plan member or beneficiary, or a pension plan administrator, in respect of any registered pension plan, non-registered pension plan, health benefit or any other employment-related or post-retirement entitlement in effect at the Commencement Date or benefit including, without limitation, any pension "bridging" benefits and "top-up" benefits and such obligations shall not be affected by the Plan.

Section 2.4 Existing Shareholders

On the Effective Date, the Plan will be binding on Catalyst and all Existing Shareholders. Existing Shareholders shall not receive a distribution under the Plan or otherwise recover anything in respect of their Equity Interests. All existing Equity Interests shall be cancelled and extinguished on the Effective Date.

Section 2.5 Unaffected Persons

Holders of Unaffected Claims will not be affected, to the extent of their Unaffected Claims, by the compromises set out in the Plan.

ARTICLE 3
CLASSIFICATION AND TREATMENT OF AFFECTED CLAIMS

Section 3.1 Classification of Affected Claims

All Affected Claims are classified into two Voting Classes—the First Lien Notes Claims Class and the Unsecured Claims Class.

The First Lien Notes Claims Class consists of the First Lien Notes Claims. The Unsecured Claims Class consists of both the Unsecured Notes Claims and the General Unsecured Claims.

Section 3.2 Treatment of Affected Claims

An Affected Claim shall receive distributions as set forth below only to the extent that such Claim is an Allowed Claim and has not been paid, released, or otherwise satisfied prior to the Effective Date.

First Lien Notes Claims Class

- a. The First Lien Notes Claims shall be an Allowed Claim, and for the purposes of distribution shall be in the aggregate principal amount of \$384,534,000, comprised of (i) \$280,434,000 on account of the Class A Notes and (ii) \$104,100,000 on account of the Class B Notes, plus the First Lien Notes Unpaid Interest.
- b. On or as soon as reasonably practicable after the Effective Date, the First Lien Notes shall be cancelled, and in full and final satisfaction of and in exchange for all Allowed First Lien Notes Claims,
 - i. each Class A Noteholder as of the Effective Date shall receive:
 - 1) in respect of the principal amount of such holder's Class A Notes, its pro rata share of:
 - a. the New First Lien Notes in the aggregate principal amount of \$237,000,000,
 - b. 8,751,960 New Common Shares (which shall equal 58.3464% of the New Common Shares), subject to dilution only from New Common Shares granted to holders of the Warrants, and any Management Incentive Plan, and
 - 2) in respect of the accrued and unpaid interest on such holder's Class A Notes, its pro rata share of the New First Lien Coupon Notes in the aggregate principal amount equal to the

First Lien Notes Unpaid Interest in respect of the Class A Notes; and

ii. each Class B Noteholder as of the Effective Date shall receive:

- 1) in respect of the principal amount of such holder's Class B Notes, its pro rata share of
 - a. the New First Lien Notes in the aggregate principal amount of \$88,000,000,
 - b. 3,248,040 New Common Shares (which shall equal 21.6536% of the New Common Shares), subject to dilution only from New Common Shares granted to holders of the Warrants, and any Management Incentive Plan, and
- 2) in respect of the accrued and unpaid interest on such holder's Class B Notes, its pro rata share of the New First Lien Coupon Notes in the aggregate principal amount equal to the First Lien Notes Unpaid Interest in respect of the Class B Notes.

Unsecured Claims Class

Unsecured Notes Claims

- a. The Unsecured Notes Claims shall be an Allowed Claim, and for the purposes of distribution shall be in the aggregate principal amount of \$250,000,000 plus the Unsecured Notes Unpaid Interest.
- b. On or as soon as reasonably practicable after the Effective Date, the Unsecured Notes shall be cancelled and, in full and final satisfaction of and in exchange for all Allowed Unsecured Notes Claims, each Unsecured Noteholder as of the Effective Date shall receive its pro rata share (calculated by reference to the aggregate amount of all Unsecured Notes Claims plus all Allowed General Unsecured Claims) of:
 - i. 3,000,000 New Common Shares (which shall equal 20% of the New Common Shares), subject to dilution only from New Common Shares granted to holders of the Warrants, and any Management Incentive Plan, and
 - ii. the Warrants.

General Unsecured Claims

- a. On or as soon as reasonably practicable after the Effective Date, in full and final satisfaction of and in exchange for all Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim shall receive:
 - i. if such holder is a General Unsecured Share Creditor, its pro rata share (calculated by reference to the aggregate amount of all Unsecured Notes Claims plus all Allowed General Unsecured Claims) of:
 - 1) 3,000,000 New Common Shares (which shall equal 20% of the New Common Shares), subject to dilution only from New Common Shares granted to holders of the Warrants, and any Management Incentive Plan, and
 - 2) the Warrants; or
 - ii. if such holder is a General Unsecured Cash Creditor:
 - 1) such holder's Convenience Cash Amount, to an aggregate limit of the Maximum Convenience Claims Pool, or, if applicable,
 - 2) to the extent that the aggregate of all Convenience Cash Amounts would exceed the Maximum Convenience Claims Pool:
 - a. in respect of two (2) times the amount of cash to be received, such holder's pro rata share of the Maximum Convenience Claims Pool, and
 - b. in respect of the balance of such holder's Allowed Claim, such holder's pro rata share (calculated by reference to the aggregate amount of all Unsecured Notes Claims plus all Allowed General Unsecured Claims) of the following Plan Securities otherwise allocable to General Unsecured Creditors:
 - i. New Common Shares, and
 - ii. the Warrants.

New Common Shares that would otherwise have been allocable to General Unsecured Cash Creditors shall not be issued under the Plan. Such non-issuance will result in an adjustment to the number of New Common Shares to be issued and the percentage distribution to Creditors set forth in this Section 3.2.

Section 3.3 Voting by Affected Creditors

First Lien Noteholders shall be entitled to attend and vote at the First Lien Noteholders Meeting. Unsecured Creditors, including Unsecured Noteholders and General Unsecured Creditors (including Convenience Creditors) shall be entitled to attend and vote at the Unsecured Creditors Meeting; *provided, however,* that, in accordance with the Meetings Order, Creditors who have made a valid Cash Election or Convenience Share Election shall be deemed to vote in favour of the Plan and shall not be entitled to vote at the Unsecured Creditors Meeting. For greater certainty, only those Noteholders who have beneficial ownership of a Claim as of the Record Date shall be entitled to vote at the Meetings pursuant to and in accordance with the Meetings Order.

Affected Creditors with Disputed Claims shall be entitled to attend the Meetings and cast a vote in respect of the Plan. The Monitor shall keep a separate record and tabulation of any votes cast in respect of Disputed Claims. The Monitor shall report the result of the vote and the tabulation of votes of Allowed Claims and Disputed Claims to the Court and, if the decision by Affected Creditors whether to approve or reject the Plan is affected by the votes cast in respect of the Disputed Claims, Catalyst shall seek direction from the Court in respect thereof. The fact that a Disputed Claim is allowed for voting purposes shall not preclude Catalyst or the Monitor from disputing the Disputed Claim for distribution purposes.

Section 3.4 Approval by Affected Creditors

In order to be approved by the Affected Creditors, the Plan must receive an affirmative vote, in accordance with the provisions of the Meetings Order, by the Required Majority in each Voting Class.

Section 3.5 Unaffected Claims

Notwithstanding anything to the contrary herein, no Creditor shall be entitled to vote or receive any distributions under the Plan in respect of an Unaffected Claim. Nothing in the Plan shall affect the Debtors' rights and defences with respect to any Unaffected Claim.

Section 3.6 Disputed Claims

Affected Creditors with Disputed Claims on the Effective Date shall not be entitled to receive any distribution hereunder with respect to such Disputed Claims unless and until such Claim becomes an Allowed Claim. A Disputed Claim shall be referred for resolution in the manner set out in the Claims Procedure Order. Distributions pursuant to Section 6.5 shall be paid in respect of any Disputed Claim that is finally resolved or settled and becomes an Allowed Claim in accordance with the Claims Procedure Order.

Section 3.7 Extinguishment of Claims

As of and from the Effective Time and in accordance with the provisions of the Sanction Order, the treatment of Affected Claims under the Plan (including Allowed Claims and Disputed Claims) shall be final and binding on the Debtors and all Affected Creditors (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and all

Affected Claims shall be released and discharged as against the Debtors and the Debtors shall thereupon be released from all Affected Claims, other than the obligations of the Debtors to make payments in the manner and to the extent provided for in the Plan; *provided, however,* that such discharge and release shall be without prejudice to the right of a holder of a Disputed Claim to prove such Disputed Claim so that such Disputed Claim becomes an Allowed Claim entitled to receive consideration under Section 6.3 hereof.

Section 3.8 Set Off

Despite any other provision of the Plan, the law of set off applies to all claims made by or against a Debtor (including Claims) to the same extent as if such Debtor were plaintiff or defendant, as the case may be. However, a Person may only set off as against a Claim, including a Restructuring Claim, an obligation of such Person to the Debtor (that is otherwise the proper subject of set off) and that existed on or before the Commencement Date and a Person may only set off as against a claim by such Person against a Debtor arising after the Commencement Date, an obligation of such Person to such Debtor arising after the Commencement Date (that is otherwise the proper subject of set off).

Section 3.9 Governmental Priority Claims

Within six months after the date of the Sanction Order, each Debtor incorporated in Canada shall pay in full to any applicable Governmental Entities all amounts that were outstanding at the Commencement Date and are of a kind that could be subject to a demand under:

- a. subsection 224(1.2) of the Tax Act;
- b. any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the Tax Act and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- c. any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - i. has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Tax Act; or
 - ii. is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

ARTICLE 4 SANCTION ORDER

Section 4.1 Application for Sanction Order

As soon as reasonably practicable following the approval of the Plan by the Required Majorities, the Debtors shall bring a motion seeking the Sanction Order for prompt hearing by the Court and in accordance with the timeline set forth in the Restructuring and Support Agreement.

Section 4.2 Effect of the Sanction Order

In addition to approving and sanctioning the Plan, and subject to the discretion of the Court, the Sanction Order shall, among other things and without limitation:

- a. declare that:
 - i. the Plan has been approved by the Required Majorities of Affected Creditors in conformity with the CCAA;
 - ii. the Debtors have complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects;
 - iii. the Court is satisfied that the Debtors have not done nor purported to do anything that is not authorized by the CCAA; and
 - iv. the Plan and transactions contemplated thereby are procedurally and substantively fair and reasonable to Affected Creditors;
- b. direct and authorize the Debtors and the Monitor to fulfill their obligations under the Plan, including to complete the transactions and distributions contemplated under the Plan;
- c. confirm the effect of the Claims Procedure Order, including, without limitation, the effect of the Claims Bar Date, and the releases, waivers, injunctions and prohibitions provided thereunder;
- d. confirm the effect of the Meetings Order;
- e. effective on the Effective Date, declare that the compromises, waivers, releases and injunctions effected by the Plan are approved, binding, and effective as herein set out on all Affected Creditors, Existing Shareholders, and all other Persons affected by the Plan;
- f. continue the stay of proceedings contained in the Amended and Restated Initial Order until the CCAA Proceedings are terminated by Order of the Court;

- g. confirm that the CCAA Charges as provided in the Amended and Restated Initial Order shall continue in effect until such time as the CCAA Proceedings are terminated and all obligations secured thereby are paid in full or as may be otherwise secured, satisfied or arranged;
- h. effective on the Effective Date, upon completion of the distribution of the Plan Securities pursuant to the Plan to the applicable Affected Creditors or into the Disputed Claims Reserve, and except as otherwise provided in the Plan, declare that all notes, shares, instruments, certificates, indentures, guarantees, and other documents or agreements evidencing the First Lien Notes Claims, the Unsecured Notes Claims, and Equity Interests, including, without limitation, the First Lien Notes, the Unsecured Notes, the First Lien Notes Indentures, and the Unsecured Notes Indenture, are deemed cancelled and are of no further force or effect, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto are satisfied and discharged, except to the extent expressly set forth in Section 6.07 of the Unsecured Notes Indenture and Section 6.06 of the First Lien Notes Indenture;
- i. declare that the First Lien Notes Indenture Trustee shall be authorized to execute releases of the property and other assets included in the Collateral (as such term is defined in the First Lien Notes Indenture) from the Liens created by the Collateral Documents (as such term is defined in the First Lien Notes Indenture), in the forms prepared by the Debtors, at the written request of the Debtors (without the delivery of an officer's certificate or opinion), subject to paragraph (h) above;
- j. effective as of the Effective Date, release all Post-Filing Interest and Costs;
- k. declare that the appointment of the Claims Officer shall cease as of the Effective Time except with respect to matters to be completed pursuant to the Plan after the Effective Time (including the resolution of any Disputed Claims pursuant to the Claims Procedure Order);
- l. declare that, as of and from the Effective Time and except to the extent expressly contemplated by the Plan, all obligations or agreements to which any Debtor is a party (including all equipment leases and real property leases) shall be and remain in full force and effect, unamended as of the Effective Date, unless terminated, disclaimed or repudiated by a Debtor in the CCAA Proceedings, and no Person who is a party to any such obligation or agreement shall, on or after the Effective Date, accelerate, terminate, rescind, refuse to renew, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise, or purport to enforce or exercise, any right (including any right of set off, combination of accounts, dilution, buy out, divestiture, forced purchase or sale option or other remedy) or make any demand under or in respect of any such obligation or agreement, by reason of:

- i. any event or events which occurred on or before the Effective Date and is not continuing after the Effective Date or which is or continues to be suspended or waived under the Plan, which would have entitled any party thereto to enforce such rights or remedies (including defaults or events of default arising as a result of the insolvency of any Debtor);
- ii. any Debtor having sought or obtained relief under the CCAA; or
- iii. any compromises, arrangements, reorganizations or transactions effected pursuant to the Plan; and

m. effective on the Effective Date, permanently enjoin the commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, counterclaims, suits, judgements, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action released, discharged or terminated pursuant to the Plan.

ARTICLE 5 CONDITIONS PRECEDENT TO PLAN IMPLEMENTATION

Section 5.1 Conditions of Plan Implementation

The implementation of the Plan is conditional on the satisfaction or waiver (subject to Section 5.2 hereof) on or before the Effective Date of the following conditions, in a manner satisfactory to Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders:

- a. since December 31, 2011, there shall have been no Material Adverse Effect except as disclosed in the Information;
- b. the following shall have occurred by the dates set forth below:
 - i. the Meetings shall have occurred no later than April 23, 2012;
 - ii. the Plan shall have been approved by the Required Majorities of each Voting Class;
 - iii. the Sanction Order shall have been obtained no later than April 25, 2012 in accordance with Section 4.2 hereof;
 - iv. Catalyst shall have obtained an Order from the U.S. Court under chapter 15 of the U.S. Bankruptcy Code recognizing that the Sanction Order is in full force and effect in the United States, which Order be satisfactory to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and shall have become a Final Order; and

v. the Sanction Order shall have become a Final Order;

or such later date as may be agreed to among the Debtors and the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and in accordance with the Restructuring and Support Agreement;

- c. there shall have been no breach in any material respect by the Debtors of any of the obligations, representations, warranties, or covenants of the Debtors set forth in the Restructuring and Support Agreement;
- d. the New First Lien Notes Security shall have been executed and delivered, together with standard supporting authorizing documents, and legal opinions from counsel to the applicable Catalyst Companies, in form and content reasonably satisfactory to the Majority Initial Supporting Noteholders and the First Lien Notes Indenture Trustee, and registrations to perfect the liens created thereunder shall have been completed with the priority contemplated by the New First Lien Notes Indenture;
- e. Catalyst shall have entered into agreements with respect to the New ABL Facility and Exit Facility, if any, which agreements shall be satisfactory to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and an intercreditor agreement entered into between the New ABL Facility Lender and the First Lien Noteholders or the First Lien Notes Indenture Trustee satisfactory to the Majority Initial Supporting Noteholders, subject to Section 5.2 hereof;
- f. all amounts owing by Catalyst pursuant to or in respect of the ABL Facility Claims (including by payment into escrow with the Monitor of any such amounts disputed as owing) shall have been paid in full in cash and the discharge on or before implementation of all security with respect thereto;
- g. the New First Lien Notes Indenture, New First Lien Notes Security, Warrant Agreement, and all related agreements and other documents necessary to consummate the Plan shall have become effective, subject only to implementation of the Plan;
- h. all agreements and other documents and other instruments relating to the Plan shall be in form and content satisfactory to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, as applicable and as set forth in the Restructuring and Support Agreement;
- i. any applicable governmental, regulatory and judicial consents or orders, and other similar consents and approvals, and all filings with all governmental authorities, securities commissions and other regulatory authorities having jurisdiction, in each case to the effect necessary for the completion of the

transactions contemplated by the Plan or any aspect thereof, shall have been made, obtained or received and are not subject to any reversal or stay;

- j. reorganized Catalyst shall be a reporting issuer in certain provinces of Canada;
- k. the Debtors shall have taken all necessary corporate actions and proceedings in connection with the Plan, including the execution and filing of any articles of amendment or reorganization or other document to implement the Plan, which shall be in form and substance satisfactory to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders;
- l. all agreements and documents necessary to implement and give effect to the Plan shall have been executed and delivered by all relevant Persons;
- m. all steps, conditions and documents necessary to the implementation of the Plan (including without limitation those set out above) are capable of being implemented on or before the Effective Date;
- n. no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgement in respect of, or damages on account of, or relating to, the Plan;
- o. the PPWC and CEP shall have ratified the New Labour Contracts and such New Labour Contracts shall not have been objected to by the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, in accordance with the terms of the Restructuring and Support Agreement;
- p. the letters of credit posted as collateral for the KERP shall have been cancelled in exchange for the KERP Charge, and all cash collateral with respect thereto returned to Catalyst. In addition, the KERP shall have been modified and a Court Order obtained approving same as follows:

Solely with respect to the "Tier I" and "Tier II" beneficiaries of the KERP (as identified in the KERP), the retention payments scheduled under the KERP shall be made as follows:

- i. 45% (or \$1.9 million) to be paid on December 31, 2012;
- ii. 25% (or \$1 million) to be paid on December 31, 2013; and
- iii. 30% (or \$1.3 million) to be paid in equal percentage as the percentage amortization of the New First Lien Coupon Notes;

or in another manner acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders; and

- q. the Restructuring Expenses incurred through and including the Effective Date shall have been paid in full or otherwise satisfied or arranged.

Section 5.2 Waiver of Conditions.

Any Condition Precedent other than any statutory requirements regarding the voting, approval and sanctioning of the Plan pursuant to the provisions of the CCAA may only be waived by the Debtors with the written consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and, to the extent that any such waiver implicates any right or duty of the First Lien Notes Indenture Trustee under the First Lien Notes Indenture or the Unsecured Notes Indenture Trustee under the Unsecured Notes Indenture, the applicable Indenture Trustee.

Section 5.3 Monitor's Certificate

Upon being advised in writing by counsel for the Debtors and counsel for the Initial Supporting Noteholders that the Conditions Precedent have been satisfied or waived in accordance with Section 5.2 hereof and that the Plan is capable of being implemented, the Monitor shall file with the Court a certificate stating that all Conditions Precedent of the Plan have been satisfied or waived in accordance with the Plan and that the Plan is capable of being implemented forthwith.

Section 5.4 Failure to Satisfy Conditions Precedent

If the Conditions Precedent are not satisfied or waived in accordance with Section 5.2 hereof on or before the day which is 21 days after the date on which the Sanction Order is issued or such later date as may be specified by the Debtors (with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and in accordance with the Restructuring and Support Agreement), the Plan shall not be implemented and the Plan and the Sanction Order shall cease to have any further force or effect.

ARTICLE 6 IMPLEMENTATION OF PLAN

Section 6.1 Cancellation of Securities and Indentures

On the Effective Date, upon completion of the distribution of the Plan Securities pursuant to the Plan to the applicable Affected Creditors or into the Disputed Claims Reserve, and except as otherwise provided in the Plan, all notes, shares, instruments, certificates, indentures, guarantees, and other documents or agreements evidencing the First Lien Notes Claims, the Unsecured Notes Claims, and Equity Interests, including, without limitation, the First Lien Notes, the Unsecured Notes, the First Lien Notes Indentures, and the Unsecured Notes Indenture, shall be deemed automatically cancelled and shall be of no further force or effect, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any

way related thereto shall be satisfied and discharged, except to the extent expressly set forth in Section 6.02 of the Unsecured Notes Indenture and Section 6.06 of the First Lien Notes Indenture.

Section 6.2 Issuance of Plan Securities

1. New First Lien Notes and New First Lien Coupon Notes

On the Effective Date, the New First Lien Notes and the New First Lien Coupon Notes shall be issued pursuant to the New First Lien Notes Indenture.

2. New Common Shares

On the Effective Date, reorganized Catalyst shall issue 15,000,000 New Common Shares or as the same may be reduced in accordance with Section 3.2. Reorganized Catalyst shall be a reporting issuer in certain provinces in Canada and, on or as soon as reasonably practicable after the Effective Date, the New Common Shares and the Warrants shall be approved by the TSX or other securities exchange acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, subject only to standard listing conditions.

3. Warrants

On the Effective Date, the Warrants shall be issued pursuant to and governed by the terms of the Warrant Agreement.

Section 6.3 Delivery and Allocation Procedures

1. Delivery and Allocation of Plan Securities

Delivery of certificates representing the Plan Securities to which the Affected Creditors are entitled under the Plan shall be made on or before the third (3rd) Business Day following the Effective Date.

The First Lien Notes and the Unsecured Notes are held by DTC. The delivery of interests in Plan Securities in exchange for First Lien Notes or Unsecured Notes, as the case may be, will be made through the facilities of DTC to DTC participants, who, in turn will make delivery of interests in such Plan Securities to the beneficial holders of such First Lien Notes or Unsecured Notes pursuant to standing instructions and customary practices. The Debtors and the Indenture Trustees will have no liability or obligation in respect of any deliveries from DTC, or its nominee, to DTC participants or to beneficial holders.

The delivery of interests in Plan Securities to General Unsecured Creditors in accordance with Section 3.2 hereof will be made by mailing physical certificates to such General Unsecured Creditors by pre-paid ordinary mail to the address specified in such Creditor's Claims Amount Notice (as such term is defined in the Claims Procedure Order) or Proof of Claim.

2. Delivery of Cash Consideration

Subject to the Disputed Claims Reserve to be held by the Monitor in escrow, on the Initial Distribution Date and each subsequent Distribution Date, the Monitor shall distribute to each Affected General Unsecured Cash Creditor with an Allowed General Unsecured Claim, such Creditor's Convenience Cash Amount (or its pro rata share of the Maximum Convenience Claims Pool in the event that the aggregated amount of all Convenience Cash Amounts exceeds the Maximum Convenience Claims Pool) by way of cheque sent by prepaid ordinary mail to the address specified in such Creditor's Claims Amount Notice (as such term is defined in the Claims Procedure Order) or Proof of Claim.

Section 6.4 Tax Election

An Eligible Holder who is receiving New Common Shares shall be entitled to make an income tax election pursuant to subsection 85(1) of the Tax Act or, if the holder is a partnership, subsection 85(2) of the Tax Act (and in each case, where applicable, the analogous provisions of provincial income tax law) with respect to the transfer of such holder's First Lien Notes or Unsecured Notes to Catalyst at the amount determined by such Eligible Holder, subject to the limitations set out in subsection 85(1) of the Tax Act (or any applicable tax legislation).

Section 6.5 Disputed Claims

1. No Distribution Pending Allowance

Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and to the extent it has become an Allowed Claim, in whole or in part.

2. Distributions After Disputed Claims Resolved

- a. On the last Business Day of every month (or such other time as the Debtors may determine in consultation with the Monitor), the Debtors shall distribute, in accordance with Section 6.3 hereof, the appropriate portion of New Common Shares and/or Warrants in the Disputed Claims Reserve to each holder of a Disputed Claim (i) who is a General Unsecured Share Creditor, or (ii) only to the extent the aggregate of all Convenience Cash Amounts exceeds the Maximum Convenience Claims Pool, who is a General Unsecured Cash Creditor, which Claim has become an Allowed Claim on or before the third Business Day prior to a Distribution Date (other than the Final Distribution Date).
- b. On the last Business Day of every month (or such other time as the Monitor may determine in its sole and unfettered discretion), the Monitor shall distribute in accordance with Section 6.3 hereof, the appropriate portion of cash in the Disputed Claims Reserve to each holder of a Disputed Claim who is a General Unsecured Cash Creditor, which Claim has become an Allowed Claim on or before the third Business Day prior to such Distribution Date.

- c. On the Final Distribution Date, any balance that remains in the Disputed Claims Reserve shall revert to the reorganized Debtors.

Section 6.6 Exchange Warrants

Any Electing Noteholder may, by giving notice to Catalyst, with copies to counsel for the Initial Supporting Noteholders as set forth in Subsection 8.9(ii) hereof, in the form prescribed in the Meetings Order, such notice to be delivered to Catalyst on or prior to the date of the Meetings, elect to receive Exchange Warrants in lieu of any Excess New Common Shares such Noteholder would have otherwise received under the Plan in the absence of providing such notice. Delivery by Catalyst of Exchange Warrants exercisable for a number of New Common Shares equal to the number of Excess New Common Shares an Electing Noteholder would otherwise have received under the Plan but for delivering such notice will satisfy in full the obligation Catalyst would otherwise have had under the Plan to deliver such number of New Common Shares to the Electing Noteholder.

Section 6.7 Withholding Rights

Catalyst, the Monitor and/or the Indenture Trustees shall be entitled to deduct and withhold from any consideration or distribution otherwise payable to any Noteholder or General Unsecured Creditors such amounts as Catalyst, the Monitor and/or the Indenture Trustees are required to deduct and withhold with respect to such payment under Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the securities in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. Catalyst, the Monitor and/or the Indenture Trustees are hereby authorized to sell or otherwise dispose of such portion of the consideration (including to exercise Exchange Warrants, if necessary, provided at no time shall an Electing Noteholder hold in excess of 20% of the New Common Shares) as is necessary to provide sufficient funds to Catalyst, the Monitor and/or the Indenture Trustees, as the case may be, to enable it to comply with such deduction or withholding requirement and Catalyst, the Monitor and/or the Indenture Trustees shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale.

Section 6.8 Calculations

All amounts of consideration to be received hereunder will be calculated to the nearest cent (\$0.01). All calculations and determinations made by Catalyst for the purposes of and in accordance with the Plan, including, without limitation, the allocation of the consideration, shall be conclusive, final and binding upon the Affected Creditors and the Debtors.

Section 6.9 Initial Board of Directors of Reorganized Catalyst

On the Effective Date:

- a. the initial board of directors of reorganized Catalyst shall be composed of seven members;
- b. all existing members of the board shall be deemed to be removed;

- c. five members of the initial board, designated by the Majority Initial Supporting Noteholders not less than ten days prior to the Effective Date, shall be deemed to be appointed as directors of reorganized Catalyst;
- d. one member of the initial board, designated by the Initial Supporting Unsecured Noteholders not less than ten days prior to the Effective Date, shall be deemed to be appointed as a director of reorganized Catalyst; and
- e. the Chief Executive Officer shall be deemed to be appointed as a director of reorganized Catalyst.

Section 6.10 Initial Management of Reorganized Catalyst

The senior management team upon and immediately following the consummation of the Plan shall be the same as the senior management team immediately prior to consummation of the Plan.

Section 6.11 Restructuring Expenses

In accordance with the Restructuring and Support Agreement, all reasonable and documented fees and expenses, incurred through and including the Effective Date, of the Initial Supporting First Lien Noteholders, the Initial Supporting Unsecured Noteholders, and the First Lien Notes Indenture Trustee, including all reasonable documented fees and expenses incurred by the legal and financial advisors of such parties, shall be paid in cash. Without limiting the foregoing, for the avoidance of doubt, the legal and financial advisors to be paid pursuant to this Section 6.11 include (a) Akin Gump Strauss Hauer & Feld LLP, (b) Fraser Milner Casgrain LLP, (c) Morris, Nichols, Arnsht & Tunnell LLP, (d) Moelis & Co., (e) Kelley Drye & Warren LLP, (f) Chaitons LLP, (g) Goodmans LLP, (h) Kramer Levin Naftalis & Frankel LLP, (i) Houlihan Lokey, and (j) one local counsel in any single jurisdiction for each of (i) the Initial Supporting Unsecured Noteholders and (ii) the First Lien Notes Indenture Trustee.

ARTICLE 7 EFFECT OF THE PLAN

Section 7.1 Binding Effect of the Plan

The Plan (including, without limitation, the releases and injunctions contained herein), upon being sanctioned and approved by the Court pursuant to the Sanction Order and the Sanction Order being recognized by the U.S. Court, shall be binding as of the Effective Date on all Persons irrespective of the jurisdiction in which the Persons reside or in which the Claims arose and shall constitute:

- a. a full, final and absolute settlement of all rights of the Affected Creditors and Existing Shareholders;
- b. cancellation of the Equity Interests; and

- c. an absolute release, satisfaction and discharge of all indebtedness, liabilities and obligations of the Debtors of or in respect of the Affected Claims and Equity Interests.

Section 7.2 Consents, Waivers and Agreements

From and after the Effective Date, each Affected Creditor and other Persons shall be deemed to have consented and to have agreed to all of the provisions of the Plan in its entirety. In particular, each Affected Creditor and other Persons shall be deemed:

- a. to have executed and delivered to the Monitor and the Debtors all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety; and
- b. to have waived any and all defaults then existing or previously committed by the Debtors in any covenant, warranty, representation, term, provision, condition or obligations, expressed or implied, in any contract, agreement, mortgage, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto, existing between any such Affected Creditor or other Person and the Debtors and any and all notices of default and demands for payment under any instrument, including without limitation any guaranty, shall be deemed to have been rescinded.

Section 7.3 Release of Released Parties

As of the Effective Date, to the extent permitted by law, each of the Released Parties shall be released and discharged from any and all demands, claims, liabilities, obligations, causes of action, damages, executions or other recoveries, known or unknown, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Date relating to, arising out of, or in connection with the Securities, the First Lien Notes Indentures, the Unsecured Notes Indenture, the Restructuring and Support Agreement, the Plan, the Prior CBCA Proceedings, the CCAA Proceedings, the Chapter 15 Proceedings, and any proceedings commenced with respect to or in connection with the Plan; *provided, however*, that nothing in this paragraph shall release or discharge any of the Released Parties from or in respect of its obligations under the Plan or the Restructuring and Support Agreement and to comply with and to make the distributions set out therein; *provided, further, however*, that such release and discharge shall not include any Unaffected Claims against the Debtors; *provided, further, however*, that nothing herein will release or discharge a Released Party if the Released Party is determined by a Final Order of a court of competent jurisdiction to have committed wilful misconduct or fraud.

Section 7.4 Exculpation

To the extent permitted under applicable law, the Released Parties shall not have or incur any liability for any act or omission in connection with, related to, or arising out of the Prior CBCA Proceedings, the CCAA Proceedings or the Chapter 15 Proceedings, the formulation, preparation, dissemination, negotiation or filing of the Plan and related information circular or

any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or related information circular, the pursuit of sanctioning the Plan, the consummation, administration or implementation of the Plan, or the property to be distributed under the Plan, including the issuance of the securities thereunder or under any related agreement; *provided, however,* that this Section 7.4 shall not include any act or omission that is determined by Final Order of a court of competent jurisdiction to have constituted gross negligence, wilful misconduct or fraud.

Section 7.5 Injunction

All Persons, along with their respective affiliates, present and former officers, directors, employees, associated individuals, auditors, financial advisors, legal counsel, other professionals, sureties, insurers, indemnities, agents, dependents, heirs, representatives and assigns, as applicable, are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Date, with respect to claims against the Released Parties, from:

- a. commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties;
- b. enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property;
- c. commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim in any manner or forum, against one or more of the Released Parties;
- d. creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind; or
- e. taking any actions to interfere with the implementation or consummation of the Plan or the transactions contemplated therein.

This Section 7.5 does not apply to any Unaffected Claims or to the enforcement of any obligations under the Plan.

Section 7.6 Responsibilities of the Monitor

The Monitor is acting in its capacity as Monitor in the CCAA Proceedings and the Monitor will not be responsible or liable for any obligations of the Debtors hereunder. The

Monitor will have only those powers granted to it by this Plan, by the CCAA and by any Order of the Court in the CCAA Proceedings, including the Amended and Restated Initial Order.

ARTICLE 8 GENERAL

Section 8.1 Amendment

The Debtors shall be entitled, upon prior consultation with the Monitor, at any time and from time to time, to amend, restate, modify or supplement the Plan, provided that:

- a. if made prior to the Meetings, the Debtors (i) obtain the prior consent of the Monitor, (ii) file the amended Plan with the Court, (iii) serve the amended Plan on the parties listed on the service list to these CCAA Proceedings, (iv) provide reasonable notice of the amended Plan to Creditors that have filed proxies with the Monitor to the extent that such Creditors are not on the service list, and (v) request the Monitor to post the amended Plan on the Monitor's website at www.pwc.com/car-catalystpaper;
- b. if made during a Meeting, (i) the prior consent of the Monitor is obtained, (ii) the amendment would not be materially prejudicial to the interests of any of the Creditors under the Plan, and (iii) notice of the amendment is given to all Creditors eligible to vote and present at the Meetings prior to the vote being taken; in which case the amended Plan shall be promptly posted on the Monitor's website at www.pwc.com/car-catalystpaper and filed with the Court; and
- c. if made after the Meetings and, without further order of the Court or notice to any Creditor, the Debtors and the Monitor, acting reasonably and in good faith, determine the variation, amendment, modification or supplement in the amended Plan to be (i) of a technical or administrative nature that would not prejudice the interests of any of the Creditors under the Plan and (ii) necessary in order to give effect to the substance of the Plan or the Sanction Order;

provided, however, that the Plan may not be modified, amended or supplemented in any manner without the express written consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, and, solely to the extent of any modification, amendment or supplement materially inconsistent with the Restructuring and Support Agreement, without the express written consent of the Initial Supporting Unsecured Noteholders.

Section 8.2 Paramountcy

From and after the Effective Date, if there is any conflict between any provision(s) of the Plan or Sanction Order and any provision of any other contract, document, agreement or arrangement, written or oral, between any Creditor and any Debtor in existence on the Effective Date, the provision(s) of the Plan and Sanction Order shall govern.

Section 8.3 Termination

At any time prior to the Effective Date, the Debtors, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, may determine not to proceed with this Plan notwithstanding the obtaining of the Sanction Order. If the Conditions Precedent are not satisfied or waived as provided for in this Plan, if the Debtors determine not to proceed with this Plan, with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, or if the Sanction Order is not issued by the Court: (a) this Plan shall be null and void in all respects, (b) any settlement or compromise embodied in this Plan, and any document or agreement executed pursuant to this Plan shall be deemed null and void, and (c) nothing contained in this Plan, and no act taken in preparation of the consummation of this Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims or any defences thereto by or against any of the Affected Creditors or any other Person, (ii) prejudice in any manner the rights of any of the Affected Creditors or any other Person in any further proceedings involving the Debtor, or (iii) constitute an admission of any sort by the Applicants, the Affected Creditors or any other Person.

Section 8.4 Severability

If, prior to the Effective Date, any term or provision of the Plan is held by the Court to be invalid, void, or unenforceable, the Court, at the request of the Debtors and with the consent of the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted.

Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Sanction Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable.

Section 8.5 Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, trustee, administrator, or successor or assign of such Person.

Section 8.6 Further Assurances

Notwithstanding that the transactions and events set out in the Plan shall occur and be deemed to occur in the order set out herein without any other additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by Catalyst in order to better implement the Plan.

Section 8.7 Entire Agreement

Except as otherwise indicated, upon the Effective Date, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

Section 8.8 Exhibits and Related Documents

All schedules, exhibits and documents filed in relation to the Plan are incorporated into and are a part of the Plan as if set forth in full in the Plan.

Section 8.9 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall reflect this Plan and may, subject as hereinafter provided, be made or given by the Person making or giving it or by any agent of such Person authorized for that purpose by personal delivery, by prepaid mail or by e-mail addressed to the respective parties as follows:

(i) if to the Debtors:

Catalyst Paper Corporation
2nd Floor, 3600 Lysander Lane
Richmond, BC V7B 1C3
Attention: David Adderley, General Counsel
E-mail address: david.adderley@catalystpaper.com

and

Blake, Cassels & Graydon LLP
595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver BC V7X 1L3
Attention: William C. Kaplan Q.C. and Peter Rubin, Esq.
E-mail addresses: bill.kaplan@blakes.com and peter.rubin@blakes.com

with copies (which shall not constitute notice) to:

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

and

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

(ii) if to an Initial Supporting Noteholder or a transferee thereof, to the addresses set forth below such Noteholder's signature on the Restructuring and Support Agreement (or as directed by any transferee thereof), as the case may be:

with copies (which shall not constitute notice) to:

Fraser Milner Casgrain LLP
Royal Trust Tower
77 King Street West
Toronto, ON M5K 0A1
Attention: Ryan C. Jacobs, Esq., R. Shayne Kukulowicz, Esq., and John R. Sandrelli, Esq.
E-mail address: ryan.jacobs@fmc-law.com, shayne.kukulowicz@fmc-law.com, john.sandrelli@fmc-law.com

and

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036
Attention: Michael S. Stamer, Esq., Stephen B. Kuhn, Esq., and Meredith A. Lahaie, Esq.
E-mail addresses: mstamer@akingump.com, skuhn@akingump.com, mlahaie@akingump.com

and

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7
Attention: Robert Chadwick, Esq., and Melaney Wagner, Esq.
E-mail address: rchadwick@goodmans.ca, mwagner@goodmans.ca

(iii) if to the Monitor:

PricewaterhouseCoopers Inc.
250 Howe Street, Suite 700
Vancouver, BC V6C 3S7

Attention: Michael J. Vermette, Neil Bunker
E-mail address: michael.j.vermette@ca.pwc.com, neil.p.bunker@ca.pwc.com

with copies (which shall not constitute notice) to:

Fasken Martineau L.P.
2900-550 Burrard Street
Vancouver, BC V6C 0A3
Attention: John Grieve, Esq., and Kibben Jackson, Esq.
E-mail address: jgrieve@fasken.com; kjackson@fasken.com

Any notice given by delivery, mail, e-mail, or courier shall be effective when received.

DATED at Vancouver, British Columbia, as of the 15th day of March, 2012.

This is Exhibit "H"

referred to in the affidavit of Ronald Gary McCaig
sworn before me, this 3rd day of April 2012

Ganya Sabot
A COMMISSIONER FOR TAKING AFFIDAVITS

EXECUTION VERSION

ASSET SALE AGREEMENT

BY AND AMONG

CATALYST PAPER CORPORATION

AND

THE OTHER ENTITIES IDENTIFIED HEREIN AS SELLERS

AND

CP ACQUISITION, LLC

DATED AS OF APRIL 2012

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EXHIBITS

Exhibit A Relevant Antitrust Authorities

ASSET SALE AGREEMENT

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

WITNESSETH:

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

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

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

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

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

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

ARTICLE I
INTERPRETATION

1.1 **Definitions.**

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

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

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

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

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

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

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

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

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

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

“Assets” has the meaning set forth in Section 2.1(a).

“Assigned Contracts” means all Designated Seller Contracts other than Non-Assigned Contracts.

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

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

“Bankruptcy Consents” has the meaning set forth in Section 4.1(a).

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

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

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

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

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

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

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

“Canadian Court” has the meaning set forth in the recitals to this Agreement.

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

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

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

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

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

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

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

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

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

“*COBRA*” means continuation health care coverage in accordance with Section 4980B of the Code and Title I, Subtitle B, Part 6 of ERISA.

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

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

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

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

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

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

“*Competition Act Approval*” means: (i) the issuance of an Advance Ruling Certificate and such Advance Ruling Certificate has not been rescinded prior to Closing; or (ii) the Purchaser and the Sellers have given the notice required under section 114 of the Competition Act with respect to the transactions contemplated by this Agreement and the applicable waiting period under section 123 of the Competition Act has expired or has been terminated in accordance with the Competition Act and the Purchaser has been advised in writing by the Commissioner that the Commissioner does not, at that time, intend to make an application under

section 92 of the Competition Act in respect of the transactions contemplated by this Agreement (“no-action letter”).

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

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

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

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

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

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

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

“*CRA*” means the Canada Revenue Agency.

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

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

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

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

"Designation Deadline" means ten (10) Business Days prior to the Closing Date.

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

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

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

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

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

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

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

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

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

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

"Excluded Assets" has the meaning set forth in Section 2.1(b).

"Excluded Liabilities" has the meaning set forth in Section 2.1(d).

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

"Expense Reimbursement" means all reasonable costs and expenses of the Purchaser and the Designated Purchasers incurred in connection with the development, execution, delivery and approval by the Bankruptcy Courts of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, reasonable expenses of counsel and other outside consultants and financial advisors and reasonable legal expenses related to the transactions contemplated hereby, preparing and negotiating this Agreement and documents related hereto, and conducting due diligence investigations of the Sellers or the Assets), (i) the payment of which, subject to U.S. Bankruptcy Court approval, shall be approved in the Chapter 15 Case as, (a) an actual and necessary cost and expense of preserving the Debtors' estates; (b) commensurate to the real and substantial benefit conferred upon the Debtors' estates by the Stalking Horse; (c) 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 (d) necessary to induce the Stalking Horse to continue to pursue the sale transaction and to continue to be bound by the Stalking Horse Agreement; and (ii) which shall, in the CCAA Cases, be granted a priority charge against the Charged Property (in accordance with and as defined in the Amended and Restated Initial CCAA Order) of the Canadian Debtors ranking junior only to the DIP Charge, the D&O Charge, the KERP Charge, the Financial Advisor Charge, the Critical Suppliers' Charge and the Administration Charge (all as defined in the Amended and Restated Initial CCAA Order), and shall in each of the Bankruptcy Proceedings be authorized to be paid by the Stalking Horse and SISP Orders.

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

"GAAP" means the U.S. generally accepted accounting principles.

"Government Entity" means any U.S., Canadian, foreign, domestic, federal, territorial, provincial, state, municipal or local governmental authority, quasi-governmental authority,

instrumentality, court, government or self-regulatory organization, bureau, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing having jurisdiction.

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

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

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

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

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

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

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

“Intellectual Property Rights” has the meaning set forth in Section 4.7.

“Inventory” means any inventories of raw materials, manufactured and purchased parts, work in process, packaging, stores and supplies and unassigned finished goods inventories (which are finished goods not yet assigned to a specific customer order), in each case owned by

any Seller and held or used in connection with the Business, including any of the above items which is owned by a Seller but remains in the possession or control of a Third Party.

“Investment Canada Act” means the Investment Canada Act (Canada), as amended.

“IRS” means the United States Internal Revenue Service.

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

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

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

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

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

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

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

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

“Material Adverse Effect” means any fact, condition, change, violation, inaccuracy, circumstance or event, individually or in the aggregate that (i) has, or is reasonably likely to have, a material adverse effect on the operations, results of operations or condition (financial or otherwise) of the Business, (ii) materially and adversely impairs the Assets or the Business (excluding the Excluded Assets and the Excluded Liabilities), taken as a whole, or (iii) materially and adversely delays or impedes the consummation of the transactions contemplated by this

Agreement, in each case except that any such fact, condition, change, violation, inaccuracy, circumstance or event results from or arises out of (a) changes in general economic conditions or changes affecting the industries and markets in which the Business operates (except to the extent that such changes have a disproportionate effect on the Assets or the Business), (b) macroeconomic factors, interest rates, currency exchange rates, general financial market conditions, acts of God, war, terrorism or hostilities, (c) changes in the North American paper or pulp markets (except to the extent that such changes have a disproportionate effect on the Assets or the Business), (d) the transactions contemplated hereby or any announcement hereof or the identity of the Purchaser or (e) the pendency of the Bankruptcy Proceedings.

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

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

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

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

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

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

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

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

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

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

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

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

“Patents” means all U.S., Canadian and foreign (whether national or multinational) statutory invention registrations, patents (including certificates of invention and other patent equivalents), patent applications, provisional patent applications and patents issuing therefrom, industrial designs, and industrial models, as well as all reissues, divisions, substitutions,

continuations, continuations-in-part, patent disclosures, extensions and reexaminations, and all rights therein provided by multinational treaties or conventions.

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

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

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

“Petition Date” has the meaning set forth in the recitals to this Agreement.

“Plan Failure” has the meaning set forth in the Stalking Horse and SISP Order.

“Post-Closing Tax Period” has the meaning set forth in Section 6.6.

“Pre-Closing Tax Period” has the meaning set forth in Section 6.6.

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

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

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

“Purchase Price” has the meaning set forth in Section 2.2(a).

“Purchased Deposits” means all deposits (including customer deposits and security deposits for rent, electricity and otherwise) and prepaid charges and expenses of Sellers, including the right to receive any refund of any unutilized amounts thereof, other than any

deposits or prepaid charges and expenses paid in connection with or relating exclusively to any Excluded Assets.

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

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

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

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

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

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

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

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

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

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

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

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

“*Seller Employee Plan*” means any “employee benefit plan” within the meaning of Section 3(3) of ERISA (whether or not covered by ERISA) and any other employee benefit or compensation plan, program or arrangement, whether written or oral, including any profit sharing, savings, bonus, performance awards, change of control, incentive compensation, deferred compensation, stock purchase, stock option, vacation, leave of absence, employee assistance, automobile leasing/subsidy/allowance, meal allowance, redundancy or severance,

relocation, family support, pension, supplemental pension, retirement, retirement savings, post retirement, medical, health, hospitalization or life insurance, disability, sick leave, retention, education assistance, expatriate assistance, compensation arrangement, including any base salary arrangement, overtime, on-call or call-in policy or death benefit plan, program or arrangement or any other similar plan, program, arrangement or policy that is maintained or otherwise contributed to, or required to be maintained or contributed to, by or on behalf of the Sellers or any of their Subsidiaries or Affiliates with respect to Employees, former Employees, retirees or their respective dependents or with respect to which any Seller or any Subsidiary of any Seller has any direct or contingent Liability, other than government sponsored pension, health care, social security, employment insurance, workers compensation, parental insurance, prescription drugs and similar plans.

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

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

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

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

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

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

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

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

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

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

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

"Successful Bid" has the meaning set forth in the SISP.

"Superior Alternative Offer" means one or more credible, reasonably certain and financially viable Qualified Bids (as defined in the SISP) that do not, individually or in the aggregate, constitute a Superior Cash Offer but are approved by the Required Noteholders (as defined in the SISP).

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

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

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

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

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

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

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

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

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

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

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

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

"Transferred Employee Plan" means all Seller Employee Plans listed on Section 1.1(a) of the Purchasers Disclosure Letter, (which schedule shall not include the Catalyst Paper Corporation Retirement Plan for Salaried Employees, nor any other registered pension plan, nor any Seller Employee Plans in respect of post-retirement benefits for the benefit of current and

former employees), and which schedule may be amended by the Purchaser in its sole discretion at any time prior to the Closing.

"Transferred Intellectual Property" means all Intellectual Property owned, used, or held for use by or on behalf of a Seller in the Business (or in any product, service, technology or process currently or formerly manufactured, produced, marketed, distributed or offered for sale by or on behalf of a Seller or currently under development by or on behalf of a Seller), including (i) the Patents listed in Section 1.1(e) of the Sellers Disclosure Letter, (ii) the Trademarks set forth in Section 1.1(f) of the Sellers Disclosure Letter, and (iii) any other Intellectual Property set forth in Section 1.1(g) of the Sellers Disclosure Letter.

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

"TSX" means the Toronto Stock Exchange.

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

"Union Employee" means an Employee who is a member of a Union.

"U.S." means the United States of America.

"U.S. Bankruptcy Code" has the meaning set forth in the recitals to this Agreement.

"U.S. Bankruptcy Court" has the meaning set forth in the recitals to this Agreement.

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

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

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

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

1.2 Interpretation

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

(b) **Certain Phrases and Calculation of Time.** In this Agreement (i) the words "including" and "includes" mean "including (or includes) without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it, (ii) the terms "hereof", "herein", "hereunder" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article, Section, paragraph, Exhibit and Schedule references are to the Articles, Sections,

paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified, and (iii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding". If the last day of any such period is not a Business Day, such period will end on the next Business Day.

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

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

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

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

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

ARTICLE II PURCHASE AND SALE OF ASSETS

2.1 Purchase and Sale.

(a) Assets. Subject to the terms and conditions of this Agreement, at the Closing, the Purchaser shall, and shall cause the relevant Designated Purchasers to, purchase or be assigned and assume from the relevant Sellers, and each Seller shall sell, transfer, assign, convey and deliver to the Purchaser or the relevant Designated Purchasers all of its right, title and interest in and to the properties and assets of Sellers (other than the Excluded Assets) of every kind and description, wherever located, real, personal or mixed, tangible or intangible, owned, leased, licensed, used or held for use in or relating to the Business (herein collectively called the "Assets") free and clear of all

Liens and Claims (other than Permitted Encumbrances, except for those Permitted Encumbrances that are to be expunged and discharged pursuant to the Sale Orders) pursuant to the Sale Orders, when granted, including, but not limited to, all right, title and interest of each Seller in, to and under:

- (i) other than the Senior Secured Notes Excluded Assets, all cash and cash equivalents, including bank balances, term deposits, supplier deposits and similar instruments, including restricted cash supporting letters of credit;
- (ii) accounts receivable, trade accounts, credit receivables, notes receivable, book debts and other debts due or accruing due to any Seller as of the Closing;
- (iii) any refunds due from, or payments due on, claims with the insurers of any of the Sellers in respect of losses arising prior to the Closing;
- (iv) the Inventory;
- (v) the Equipment;
- (vi) the Owned Real Property and Leased Real Property;
- (vii) the Assigned Contracts;
- (viii) the Business Information, subject to Sections 2.1(b)(iii) and 2.1(b)(iv);
- (ix) Employee Records, except Employee Records for Employees or former employees who are not Transferred Employees;
- (x) the Transferred Intellectual Property;
- (xi) to the extent related to the Assets and except as set forth in Section 2.1(b)(v) and Section 2.1(b)(vii), all rights, claims or causes of action of Sellers against Third Parties arising out of events occurring prior to the Closing, including and, for the avoidance of doubt, arising out of events occurring prior to the Petition Date, and including any rights under or pursuant to any and all warranties, representations and guarantees made by suppliers, manufacturers and contractors relating to products sold, or services provided, to Sellers;
- (xii) any proprietary rights in Internet protocol addresses, ideas, concepts, methods, processes, formulae, models, methodologies, algorithms, reports, data, customer lists, mailing lists, business plans, market surveys, market research studies, websites, information contained on drawings and other documents, information relating to research, development or testing, and documentation and media constituting, describing or relating to the Intellectual Property, including memoranda, manuals, technical specifications and other records wherever created throughout the world;

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

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

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

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

(xvii) all Purchased Deposits;

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

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

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

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

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

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

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

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

- (i) other than the Assigned Contracts, any rights of the Sellers under any Contract or Lease (including, for the avoidance of doubt, the Excluded Seller Contracts and the Non-Assigned Contracts);
- (ii) other than the Sellers listed on Section 2.1(a)(xx) of the Purchaser Disclosure Letter, the minute books and stock ledgers of the Sellers;
- (iii) (A) any books, records, files, documentation or literature other than the Business Information, and (B) the Employee Records for Employees or former employees who are not Transferred Employees;
- (iv) all rights of the Sellers under this Agreement and the Ancillary Agreements;
- (v) all rights and claims of the Sellers against any director, officer, or shareholder (direct or indirect) of the Sellers or any Affiliates of the Debtors;
- (vi) all intercompany rights and claims between any Sellers or any other Debtor;
- (vii) (A) all of the rights and claims of the U.S. Debtors available to the U.S. Debtors under the U.S. Bankruptcy Code, of whatever kind or nature, as set forth in Sections 544 through 551, inclusive, 553, 558 and any other applicable provisions of the U.S. Bankruptcy Code, and any related claims and actions arising under such Sections by operation of Law or otherwise, including any and all proceeds of the foregoing, and (B) any equivalent rights and claims of the Debtors under the CCAA or other Laws;
- (viii) all records prepared in connection with the sale of the Assets to the Purchaser and the Designated Purchasers;
- (ix) subject to Section 2.1(a)(xx), all shares, stock or other equity interests in any Person;
- (x) any assets set forth on Section 2.1(b)(x) of the Purchaser Disclosure Letter, which schedule may be amended by the Purchaser in its sole discretion: (A) if there is an Auction, one Business Day prior to the Auction or (B) if there is no Auction, at any time prior to the Closing;
- (xi) deposits held in trust accounts to secure payment of the reasonable fees and disbursements of the professional advisors of the Debtors and of the Monitor;
- (xii) following the Closing, copies of any book, record, literature, list and any other written or recorded information constituting Business Information (the original of which has already been assigned or transferred to Purchaser or a Designated Purchaser) to which the Sellers in good faith determine they are reasonably likely to need access for bona fide Tax or legal purposes; and

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

(c) Assumed Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Purchaser shall, and shall cause the relevant Designated Purchasers to, assume and become responsible for, and perform, discharge and pay when due, the following Liabilities (the "Assumed Liabilities"):

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

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

(iii) all Liabilities under any Transferred Employee Plan;

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

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

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

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

(d) Excluded Liabilities. Notwithstanding any provision in this Agreement to the contrary, other than the Assumed Liabilities, neither the Purchaser nor any of the Designated Purchasers shall assume or shall be obligated to assume or be obligated to

pay, perform or otherwise discharge any Liability of the Sellers or their Affiliates, and the Sellers shall be solely and exclusively liable with respect to all Liabilities of the Sellers (collectively, the "*Excluded Liabilities*"). For the avoidance of doubt, the Excluded Liabilities include, but are not limited to, the following:

- (i) any Liability of the Sellers or their directors, officers, stockholders or agents (acting in such capacities), arising out of, or relating to, this Agreement or the transactions contemplated by this Agreement, whether incurred prior to, at or subsequent to the Closing Date, including, without limitation, all finder's or broker's fees and expenses and any and all fees and expenses of any representatives of Sellers;
- (ii) any Liability relating to (A) events or conditions occurring or existing in connection with, or arising out of, the Business as operated prior to the Closing, or (B) the ownership, possession, use, operation or sale or other disposition prior to the Closing of any Assets (or any other assets, properties, rights or interests associated, at any time prior to the Closing, with the Business);
- (iii) any Liability relating to the Assets based on events or conditions occurring or existing prior to the Closing Date and connected with, arising out of or relating to: (A) Hazardous Materials or Environmental Laws, (B) claims relating to employee health and safety, including claims for injury, sickness, disease or death of any Person or (C) compliance with any applicable Law relating to any of the foregoing; in each case except for any such Liability that may not be discharged by the Sale Orders;
- (iv) any Liability of Sellers under Title IV of ERISA;
- (v) any pension or post-retirement Liability of Sellers to their current or former employees which are accrued as of the Closing, whether or not under any Seller Employee Plans, except with respect to any Transferred Employee Plan;
- (vi) any Liability for Taxes, other than as set forth in Section 2.1(c)(ii);
- (vii) any Liability relating to or arising out of the ownership or operation of an Excluded Asset; and
- (viii) other than as expressly set forth herein as an Assumed Liability, any indebtedness of any of the Sellers.

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

- (i) Section 2.1(e)(i) to the Sellers Disclosure Letter (as such schedule may be amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement, the "*Contract & Cure Schedule*"), contains a list of each Designated Seller Contract and the Sellers' good faith estimate of the amount of Cure Costs applicable to each such Designated Seller

Contract (and if no Cure Cost is estimated to be applicable with respect to any particular Contract, the amount of such Cure Cost has been designated for such Contract as "\$0.00"). From the date the Contract & Cure Schedule is provided through (and including) the Designation Deadline, promptly following any changes to the information set forth on such Schedule (including any new Designated Seller Contracts included in the Assets to which a Seller becomes a party and any change in the Cure Cost of any such Contract), the Sellers shall provide the Purchaser with a schedule that updates and corrects the Contract & Cure Schedule. The Purchaser may, at any time and from time to time through (and including) the Designation Deadline, include or exclude any Designated Seller Contract from the Contract & Cure Schedule and require the Sellers to give notice to the Third Parties to any such Contract of the Sellers' assumption and assignment thereof to the Purchaser and the amount of Cure Costs associated with such Designated Seller Contract or the rejection thereof. If any Designated Seller Contract is added to (or excluded from) the Contract & Cure Schedule as permitted by this Section 2.1(e)(i), then the Purchaser and the Sellers shall make appropriate additions, deletions or other changes to any applicable Schedule to reflect such addition or exclusion.

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

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

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

(v) To the extent that any Designated Seller Contract is not capable of being assigned under Section 365 of the U.S. Bankruptcy Code or Section 11.3 of the CCAA (or, if inapplicable, pursuant to other applicable Laws or the terms of such Contract, Lease, or Consent) to the Purchaser or a Designated Purchaser at the Closing without the Consent of the issuer thereof or the other party thereto or any Third Party (including a Government Entity), and such Consent has not been obtained (collectively, the "*Non-Assignable Contracts*"), this Agreement will not constitute an assignment thereof, or an attempted assignment, unless any such Consent is obtained. Any payment to be made in order to obtain any Consent required by the terms of any Non-Assignable Contract shall be the sole responsibility of the Sellers. If, after giving effect to the provisions of Sections 363 and 365 of the U.S. Bankruptcy Code and Section 11.3 of the CCAA, such Consent is required but not obtained, the Sellers shall, at the Purchaser's sole cost and expense, cooperate with the Purchaser in any reasonable arrangement, including the Purchaser's provision of credit support, designed to provide for the Purchaser the benefits and obligations of or under any such Designated Seller Contract, including enforcement for the benefit of the Purchaser of any and all rights of the Sellers against a third party thereto arising out of the breach or cancellation thereof by such third party; provided, that nothing in this Section 2.1(e) shall (x) require the Sellers to make any significant expenditure or incur any significant obligation on their own or on the Purchaser's behalf or (y) prohibit the Sellers from ceasing operations or winding up its affairs following the Closing. Any assignment to the Purchaser of any Designated Seller Contract that shall, after giving effect to the provisions of Sections 363 and 365 of the U.S. Bankruptcy Code and Section 11.3 of the CCAA, require the Consent of any third party for such assignment as aforesaid shall be made subject to such Consent being obtained. Any contract that would be a Designated Seller Contract but is not assigned in accordance with the terms of this Section 2.1(e) shall not be considered a "Designated Seller Contract" for purposes hereof unless and until such contract is assigned to the Purchaser following the Closing Date upon receipt of the requisite consents to assignment and Bankruptcy Court approval.

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

2.2 Purchase Price.

(a) Purchase Price. Pursuant to the terms and subject to the conditions set forth in this Agreement, in consideration of the sale of the Assets pursuant to the terms hereof, the Purchaser, on its own behalf and as agent for the relevant Designated Purchasers, shall (i) assume from the Sellers and become obligated to pay, perform and discharge, when due, the Assumed Liabilities, (ii) pay to the Sellers an amount equal to Two Hundred Seventy-Five Million Dollars (\$275,000,000) which the Purchaser, on its

own behalf and as agent for the relevant Designated Purchasers, shall pay and deliver at the Closing in accordance with Section 2.3(a) ((i) and (ii), collectively, the "*Purchase Price*"). The Purchase Price shall be payable, as determined by the Purchaser, in the form of: (A) a credit bid of an amount of the Obligations then outstanding under the Senior Secured Notes Indentures, *provided* that any such credit bid shall be effected by the Trustee and the Collateral Trustee pursuant to the Bid Direction Letter (the "*Senior Secured Notes Credit Bid*"), and (B) the payment in full in cash or through the assumption of liabilities, as provided in Section 2.1(c)(vi), in an amount at least equal to: (I) any claims ranking senior in priority to the Senior Secured Notes that are or would be payable in the CCAA Cases or Chapter 15 Cases with respect to Assets, including the DIP Claims Amount and other claims secured by the court ordered charges granted in the Amended and Restated CCAA Initial Order or any other order of the Canadian Court in the CCAA Cases; (II) the purchase price for any Assets that are Senior Secured Notes Excluded Assets and (III) any amounts payable which are determined to have been incurred by the Sellers entirely (x) after the date of the Amended and Restated CCAA Initial Order and before the Closing; and (y) in compliance with the Amended and Restated CCAA Initial Order and other Orders made by the Canadian Court in the CCAA Cases with respect to the Sellers.

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

2.3 Closing.

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

Designated Purchaser, and the Assumed Liabilities will be assumed by the Purchaser and the relevant Designated Purchasers, at the Closing.

(b) At the Closing:

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

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

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

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

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

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

2.4 Designated Purchaser(s). The Purchaser shall be entitled to designate, in accordance with the terms and subject to the limitations set forth in this Section 2.4, one or more

Wholly-Owned Subsidiaries or Affiliates to (i) purchase specified Assets (including specified Assigned Contracts), (ii) assume specified Assumed Liabilities, and/or (iii) employ specified Transferred Employees on and after the Closing Date (any such Wholly-Owned Subsidiary or Affiliate of the Purchaser that shall be properly designated by the Purchaser in accordance with this clause, a "*Designated Purchaser*"). No such designation shall relieve the Purchaser of any of its obligations hereunder, and the Purchaser and each Designated Purchaser shall be jointly and severally liable for any obligations assumed by any of them hereunder. Any reference to the Purchaser made in this Agreement in respect of any purchase, assumption or employment referred to in Section 2.4(i) to (iii) shall include reference to the appropriate Designated Purchaser, if any. The above designation shall be made by the Purchaser by way of a written notice to be delivered to the Sellers in no event later than the tenth (10th) Business Day prior to Closing which written notice shall contain appropriate information about the Designated Purchaser(s) and shall indicate which Assets, Assumed Liabilities and Transferred Employees (other than Employees which are transferred by operation of Law) the Purchaser intends such Designated Purchaser(s) to purchase, assume and/or employ, as applicable, hereunder and include a signed counterpart to this Agreement in a form acceptable to the Sellers, agreeing to be bound by the terms of this Agreement and authorizing the Purchaser to act as such Designated Purchaser(s)' agent for all purposes hereunder.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

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

3.1 Organization and Corporate Power.

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

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

3.2 Authorization; Binding Effect; No Breach.

(a) The execution, delivery and performance of each Transaction Document to which the Purchaser or any of the Designated Purchasers is a party, or is to be a party

to, have been duly authorized by the Purchaser and the relevant Designated Purchasers, as applicable, at the time of its execution and delivery. Assuming due authorization, execution and delivery by the relevant Sellers, each Transaction Document to which the Purchaser or any Designated Purchaser is a party constitutes, or upon execution thereof will constitute, a valid and binding obligation of the Purchaser or such Designated Purchaser, as applicable, enforceable against such Person in accordance with its respective terms, except as such enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or general principles of public policy.

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

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

3.4 As Is Transaction. THE PURCHASER HEREBY ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ARTICLE IV OF

THIS AGREEMENT, THE SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE ASSETS OR THE BUSINESS. WITHOUT IN ANY WAY LIMITING THE FOREGOING, THE PURCHASER ACKNOWLEDGES THAT THE SELLERS HAVE NOT GIVEN, WILL NOT BE DEEMED TO HAVE GIVEN AND HEREBY DISCLAIM ANY WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE AS TO ANY PORTION OF THE ASSETS. ACCORDINGLY, THE PURCHASER SHALL ACCEPT THE ASSETS AT THE CLOSING "AS IS," "WHERE IS," AND "WITH ALL FAULTS."

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

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

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

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE SELLERS

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

4.1 Organization and Corporate Power.

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

operate and use the Assets and carry on the Business as now conducted and to enter into, deliver and perform its obligations pursuant to each of the Transaction Documents to which it is or will become a party.

(b) Each of the Sellers is qualified to do business and to own and operate its assets, including the Assets, as applicable in each jurisdiction in which its ownership of property or conduct of business relating to the Business requires it to so qualify, except to the extent that the failure to be so qualified would not have, or reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

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

4.3 Authorization; Binding Effect; No Breach.

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

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

4.4 Title to Tangible Assets; Sufficiency of Assets.

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

(b) The Assets constitute the assets that are necessary and sufficient to conduct the Business substantially in the manner conducted as of the date hereof, except

(i) Excluded Seller Contracts, (ii) the Excluded Assets and (iii) the services of Employees who are not Transferred Employees.

4.5 Securities Filings.

(a) Catalyst is a reporting issuer, or holds equivalent status, under the Securities Laws of each of the Provinces of Canada and is in compliance with its obligations under Section 85 of the Securities Act (British Columbia) and under Sections National Instrument 51-102 and under similar provisions in the Securities Laws of the other Qualifying Jurisdictions.

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

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

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

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

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

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

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

(e) was entered into outside of the Ordinary Course;

(f) has as a party thereto any officer or director of any Seller, any Affiliate of any such officer or director, or any Person in which any officer or director of any Seller has a material interest;

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

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

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

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

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

4.9 Compliance with Laws; Consents.

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

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

4.10 Real Property.

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

Real Property or Leased Real Property which would, individually or in the aggregate, have a Material Adverse Effect.

(b) the Sellers have received all Consents that are necessary or appropriate in connection with the Sellers' occupancy, operation, ownership or leasing of the Owned Real Property and those pursuant to Leases, and the present use of the Owned Real Property or the Leased Real Property does not violate the Consents applicable thereto, except where the failure to receive, or violation of, a Consent would not reasonably be expected to have a Material Adverse Effect.

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

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

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

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

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

(a) *Environmental Laws.* Neither any Property of any Seller nor the operations conducted thereon is in violation of any applicable order of any court or other Government Entity made in respect of any Hazardous Material or pursuant to any Environmental Laws, which violation could reasonably be expected to result in Remedial Obligations which would have a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property. The Property of the Sellers is

owned, occupied and operated in compliance with Environmental Laws, except for non-compliance which could not reasonably be expected to result in a Material Adverse Effect, assuming disclosure to the applicable Government Entity of all material relevant facts, conditions and circumstances, if any, pertaining to the relevant Property.

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

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

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

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

Government Entity of all relevant facts, conditions and circumstances, if any, pertaining to such potential liability.

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

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

4.12 Labor and Employee Benefits Matters.

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

(b) Section 4.12(b) of the Sellers Disclosure Letter contains a complete and accurate list of all Non-Union Employees as of _____, 2012, including for each such Employee: (i) current rate of compensation; (ii) any incentive or bonus entitlement; (iii) date of hire; (iv) age; (v) title and/or job description; (vi) part-time or full-time status; (vii) accrued and unused vacation and sick days; (viii) benefit entitlements; and (ix) location of employment. Except as set forth in Section 4.12(b) of the Seller Disclosure

Letter, none of the Sellers has any written contract or similar agreement or arrangement, written or otherwise, with any Non-Union Employee as to the length of notice or amount of any payment required in connection with the termination of his or her employment.

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

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

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

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

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

(h) All data necessary to administer each Seller Employee Plan is in the possession of the Sellers or their agents and is in a form which is sufficient for the proper administration of the Seller Employee Plan in accordance with its terms and all Laws and such data is complete and correct.

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

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

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

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

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

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

layoffs, affirmative action, workers' compensation, labor relations, employee leave issues and unemployment insurance.

(o) Except as set forth on Schedule 4.12(o) of the Sellers Disclosure Letter, during the past five (5) years the Business has not received (i) notice of any unfair labor practice charge or of any complaint pending or threatened before the National Labor Relations Board or any other Government Entity against it, (ii) notice of any charge or complaint with respect to or relating to it pending before the Equal Employment Opportunity Commission or any other Government Entity responsible for the prevention of unlawful employment practices, (iii) notice of the intent of any Government Entity responsible for the enforcement of labor, employment, wages and hours of work, pay equity, human rights, worker classification, child labor, immigration, or occupational safety and health laws to conduct an inspection or investigation with respect to or relating to it or notice that such inspection or investigation is in progress, (iv) notice of any material violation, infringement, breach or lack of compliance by any Government Entity responsible for the enforcement of labor, employment, wages and hours of work, pay equity, human rights, worker classification, child labor, immigration, or occupational safety and health laws, or (v) notice of any complaint, lawsuit or other proceeding of any kind pending or threatened in any forum by any Government Entity, by any union or bargaining agent, or by or on behalf of any Employee or former employee, any applicant for employment or classes of the foregoing alleging a material breach of any express or implied contract of employment, any applicable Law governing labor, employment, wages and hours or work, pay equity, human rights, worker classification, child labor, immigration or occupation safety and health or the termination of employment or any discriminatory, wrongful or tortious conduct in connection with the employment relationship.

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

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

4.13 Taxes. Except as set forth in Section 4.13 of the Sellers Disclosure Letter, Sellers have (i) each timely filed all Tax Returns required to be filed with the appropriate Government Entity in all jurisdictions in which such Tax Returns are required to be filed (taking into account any extension of time to file granted to, or to be obtained on behalf of, the Sellers), and such Tax Returns were complete and accurate in all material respects; (ii) paid, collected and remitted on a timely basis all Taxes owed by, or required to be collected and remitted by, any of the Sellers,

whether or not shown as due on any Tax Return; and (iii) duly and on a timely basis withheld from any amount paid or credited to any Person the amount of any Taxes required by Law, to be withheld therefrom and have duly and on a timely basis remitted such amounts as required by Law, except where any such failure would not result, or would not reasonably be expected to result, in a Material Adverse Effect. No material examination of any Tax Return of the Sellers is currently in progress by any Government Entity; no material unresolved adjustment has been proposed in writing with respect to any such Tax Returns by any Government Entity; no material unresolved claim has been made in writing by any Government Entity in a jurisdiction where the Sellers do not file Tax Returns that any Seller is or may be subject to Taxes by that jurisdiction for Taxes; and there are no Liens for Taxes, other than Permitted Encumbrances.

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

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

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

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

4.18 Inventory. Except as set forth on Section 4.18 of the Sellers Disclosure Letter, all Inventory of the Sellers, whether or not reflected on the financial statements included in the Public Documents, consists of items of a quality useable or saleable in the ordinary course of business, assuming sufficient market demand. Seller does not hold any Inventory on consignment. Except as set forth on Section 4.18 of the Sellers Disclosure Letter, all Inventory of Seller is merchantable and fit for the purpose for which it was procured or manufactured and, except as has been written down on the face of the financial statements included in the Public

Documents or in the books and records of the Company, or, with respect to Inventory acquired since the date of such financial statements, none of such Inventory is obsolete, damaged or defective.

4.19 Receivables. The accounts receivable of the Sellers reflected on the financial statements included in the Public Documents and all Accounts Receivable arising subsequent to the date thereof (a) arose from bona fide sales transactions in the ordinary course of business consistent with past practice and are payable on ordinary trade terms taking into account the practices in the buyer's jurisdiction, (b) are legal, valid and binding obligations of the respective debtors enforceable in accordance with their respective terms, (c) except as set forth on Section 4.19 of the Sellers Disclosure Letter, are not subject to any valid material set-off or counterclaim, (d) do not represent obligations for goods sold on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return arrangement, and (e) are not the subject of any Actions or order by a Government Entity brought by or on behalf of Sellers.

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

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

ARTICLE V COVENANTS AND OTHER AGREEMENTS

5.1 Bankruptcy Actions.

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

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

(c) The Sellers shall use their commercially reasonable efforts to have the Canadian Court enter on or before _____, 2012, upon a hearing to be held on a date specified by the Canadian Court (the "*Canadian Sale Hearing*"), an order reasonably acceptable to the Purchaser approving the sale of the Assets to the Purchaser pursuant to this Agreement or to the Person otherwise submitting a Superior Offer for the Assets at the Auction (the "*Canadian Sale Order*"), including by filing and properly serving a notice of application and application record with the Canadian Court within

three (3) Business Days of the completion of the Auction (which such notice of application shall also be served on each party to a Designated Seller Contract with the Canadian Debtors and on all parties whom the Purchaser's counsel requests be served). The Sellers shall also file with the U.S. Bankruptcy Court (i) as soon as reasonably practicable after entry of the Stalking Horse and SISP Orders in the CCAA Proceedings and in any event no later than five (5) Business Days thereafter a motion seeking entry of an order reasonably acceptable to the Purchaser (A) approving the SISP and the SISP procedures and (B) scheduling a hearing (the "*U.S. Sale Hearing*") to consider approval of the sale of the Assets to the Purchaser or to the Person otherwise submitting a Superior Offer and (ii) as soon as reasonably practicable after a Plan Failure and in any event no later than three (3) Business Days thereafter, a motion seeking entry of an order reasonably acceptable to the Purchaser approving the sale of the Assets to the Purchaser or the Person otherwise submitting a Superior Offer (the "*U.S. Sale Order*" and together with the Canadian Sale Order, the "*Sale Orders*"). In addition, the Sellers shall use their commercially reasonable efforts to have the Canadian Sale Hearing and the U.S. Sale Hearing conducted simultaneously on the same date by videoconference between the Bankruptcy Courts in a manner such that both Bankruptcy Courts shall be able to simultaneously hear and view the proceedings in the other court and otherwise in accordance with such guidelines as may be necessary to conduct such hearing.

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

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

5.2 Cooperation

(a) Prior to the Closing, upon the terms and subject to the conditions of this Agreement, each of the Parties shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, and cooperate with each other in order to do, all things necessary, proper or advisable under applicable Law to consummate the transactions contemplated by this Agreement as soon as practicable, including the preparation and filing of all forms, registrations and notices required to be

filed to consummate the Closing, making witnesses available in the Canadian Court and the U.S. Bankruptcy Court or by declaration, as necessary, in obtaining the entry of the Sale Orders, negotiating Collective Labor Agreements with all applicable unions and collective bargaining agents, the taking of such actions as are necessary to obtain any requisite Consent, provided that the Sellers shall not be obligated to make any payment or deliver anything of value to any Third Party (other than filing with and payment of any application fees to Government Entities, all of which shall be paid or reimbursed by the Purchaser) in order to obtain any Consent.

(b) Each of the Sellers and the Purchaser shall promptly notify the other of the occurrence, to such Party's Knowledge, of any event or condition, or the existence, to such Party's Knowledge, of any fact, that would reasonably be expected to result in (i) any of the conditions set forth in ARTICLE VIII not being satisfied or (ii) any of the representations and warranties in ARTICLE IV not being true and correct.

5.3 Antitrust and Other Regulatory Approvals.

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

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

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

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

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

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

release shall use its reasonable best efforts consistent with such applicable Law, the U.S. Bankruptcy Codes or Bankruptcy Courts requirement to consult with the other Party with respect to the text thereof.

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

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

- (a) enter into any Contract or Lease for or relating to the Business that cannot be assigned to the Purchaser or a Designated Purchaser, other than a Contract or a Lease with annual payments of less than \$2,500,000;
- (b) sell or otherwise dispose of Assets, other than dispositions of Inventory and obsolete or damaged Assets in the Ordinary Course that do not exceed \$500,000 in the aggregate;
- (c) grant any Lien on any Assets other than Permitted Encumbrances or Liens that may arise by operation of Law;
- (d) other than in the Ordinary Course, grant or acquire from any Person or dispose of or permit to lapse any rights to any material Intellectual Property;
- (e) institute any new or increase the rate of cash compensation or other fringe, incentive, profit-sharing bonus, deferred compensation, severance, insurance, equity incentive, pension, retirement, medical, hospital, disability, welfare or other employee benefits payable to the Transferred Employees, directors or officers, other than increases required by applicable Law or Contracts other than Seller Employee Plans in effect as of the date hereof;
- (f) other than as permitted by Section 5.7(g), voluntarily terminate or materially amend any Material Contract;

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

(h) waive, release, assign, settle or compromise any material claim, litigation or arbitration relating to the Business to the extent that such waiver, release, assignment, settlement or compromise (A) imposes any binding obligation or restriction, whether contingent or realized, on the Business and/or the Purchaser and/or the Designated Purchasers, or (B) waives or releases any material rights or claims;

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI TAX MATTERS

6.1 Transfer Taxes.

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

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

6.2 Tax Elections.

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

available, the Sellers agree to provide reasonable cooperation to the Purchaser or the Designated Purchaser to expedite the Purchaser's or Designated Purchaser's claims for input tax credits, input tax refunds or rebates of GST/HST.

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

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

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

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

6.6 Property Tax Allocation. For purposes of Section 2.1(c)(ii), all real and personal property Taxes and similar ad valorem obligations levied with respect to the Assets, whether imposed or assessed before or after the Closing Date ("Periodic Taxes") for a taxable period that includes (but does not end on) the Closing Date (a "Straddle Period"), shall be apportioned

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

ARTICLE VII EMPLOYMENT MATTERS

7.1 Offers of Employment and Employee Liabilities.

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

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

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

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

(iii) accept all obligations and commitments made by the Seller regarding current and former Union Employees as evidenced by the Collective Labor Agreements applicable to the Union Employees which were ratified March 14, 2012, March 15, 2012 and March 16, 2012 and the Memorandums of Agreements attached to such Collective Labor Agreements (which are to continue to be binding despite Plan Failure) including but not limited to all obligations under the Defined Benefit Plan known as "Catalyst Corporation Retirement Plan A, B.C. Reg 85944-1" and all obligations to current and former Union Employees contemplated as "excluded" by section 2.3 of the Plan of Compromise and Arrangement.

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

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

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

7.4 Transition Services. The Purchaser and the Sellers shall use their commercially reasonable efforts to agree on transition services agreement pursuant to which, for a period of six months after the Closing Date, the Purchaser shall provide the services of certain employees to assist the estate of the Sellers to market and sell certain residual assets or Excluded Assets. The transition services would be made available to the Sellers without charge for the first six months of the term provided, however, that the Sellers shall pay the actual costs relating to the services

provided by such employees. The provision of the transition services shall not interfere in the normal responsibilities and duties of such employees on behalf of the Purchaser.

ARTICLE VIII **CONDITIONS TO THE CLOSING**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX
TERMINATION

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

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

- (i) by mutual written consent of the Sellers and the Purchaser;
- (ii) in the event of a material breach by such other Party of such other Party's representations, warranties, agreements or covenants set forth in this Agreement, which breach (A) would result in a failure of the conditions to Closing set forth in Section 8.2 or Section 8.3, as applicable, and (B) is not cured within seven (7) days from receipt of a written notice from the non-breaching Party;

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

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

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

- (i) if the Auction is not conducted by _____, 2012;
- (ii) if the Sale Orders are not entered by _____, 2012 or become Final Orders by _____, 2012;
- (iii) if the Closing does not take place by _____, 2012;

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

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

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

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

(viii) if a Material Adverse Effect occurs.

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

9.2 Expense Reimbursement. Notwithstanding anything in this Agreement to the contrary, the Sellers agree to pay the Purchaser, or to such Person as the Purchaser may direct, the Expense Reimbursement, which expense reimbursement shall not exceed \$1,000,000, with the Expense Reimbursement being paid by the Sellers to the Purchaser, or to such Person as the Purchaser may direct, upon the earlier to occur of (a) the entry of an order by the Canadian Court or U.S. Bankruptcy Court approving a Superior Offer and (b) the termination of this Agreement in accordance with the terms set forth in Section 9.1 (except for any termination pursuant to Section 9.1(a)(i) or 9.1(a)(ii) in the event of the Purchaser's breach), provided that the Purchaser shall be required to provide to the Sellers such documentation as the Sellers may reasonably request evidencing the expenses and fees in respect of which a request for reimbursement is made hereunder. The obligation of the Sellers to pay the Expense Reimbursement shall be joint and several among the Sellers. The provision for payment of the Expense Reimbursement is an integral part of this Agreement without which the Purchaser would not have entered into this Agreement.

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

ARTICLE X MISCELLANEOUS

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

10.2 Sellers Disclosure Letter Supplements. From time to time prior to the Closing, the Sellers shall supplement or amend the Sellers Disclosure Letter with respect to any matter that, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in the Sellers Disclosure Letter. The Sellers Disclosure Letter shall be deemed amended by all such supplements and amendments for all purposes (except for purposes

of determining whether the conditions set forth in Section 8.2(a) of the Agreement have been satisfied), unless within ten (10) days from the receipt of such supplement or amendment the Purchaser provides notice in good faith that the facts described in such supplement or amendment would reasonably be expected to have a Material Adverse Effect.

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

10.4 No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

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

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

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

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

(b) To the fullest extent permitted by applicable Law, each Party (i) agrees that any claim, action or proceeding by such Party seeking any relief whatsoever arising out of, or in connection with, this Agreement or the transactions contemplated hereby shall be brought only in (A) the U.S. Bankruptcy Court, if brought prior to the entry of a final decree closing the Chapter 15 Case, with respect to the U.S. Debtors, (B) the Canadian Court, if brought prior to the entry of a final decree closing the CCAA Cases,

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

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

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

If to the Purchaser to:

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

With copies (that shall not constitute notice) to:

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

Fraser Milner Casgrain LLP
Royal Trust Tower
77 King Street West
Toronto, ON M5K 0A1
Attention: Ryan C. Jacobs, Esq. and R. Shayne Kukulowicz, Esq.
E-mail address: ryan.jacobs@fmc-law.com and shayne.kukulowicz@fmc-law.com

If to the Sellers, to:

Catalyst Paper Corporation
2nd Floor, 3600 Lysnader Lane
Richmond, BC V7B 1C3
Attention: David Adderley, General Counsel
E-mail address: david.adderley@catalystpaper.com

With copies (that shall not constitute notice) to:

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

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

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue
Suite 3400
Los Angeles, VA 90071

Attention: Van C. Durrer II, Esq.
E-mail address: van.durrer@skadden.com

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

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

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

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

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

10.13 Specific Performance.

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

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

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

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

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

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

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

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

CATALYST PAPER CORPORATION

By: _____

Name:

Title:

[0606890 B.C. LTD.]

By: _____

Name:

Title:

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

By: _____

Name:

Title:

[CATALYST PAPER ENERGY HOLDINGS
INC.]

By: _____

Name:

Title:

CATALYST PULP AND PAPER SALES INC.

By: _____

Name: _____

Title: _____

CATALYST PULP OPERATIONS LIMITED

By: _____

Name: _____

Title: _____

CATALYST PULP SALES INC.

By: _____

Name: _____

Title: _____

ELK FALLS PULP AND PAPER LIMITED

By: _____

Name: _____

Title: _____

[PACIFICA POPLARS LTD.]

By: _____

Name: _____

Title: _____

[CATALYST PAPER HOLDINGS INC.]

By: _____

Name: _____

Title: _____

[CATALYST PAPER RECYCLING INC.]

By: _____

Name:

Title:

[CATALYST PAPER (SNOWFLAKE) INC.]

By: _____

Name:

Title:

CATALYST PAPER (USA) INC.

By: _____

Name:

Title:

[PACIFICA PAPERS SALES INC.]

By: _____

Name:

Title:

[PACIFICA PAPERS US INC.]

By: _____

Name:

Title:

[PACIFICA POPLARS INC.]

By: _____

Name:

Title:

[THE APACHE RAILWAY COMPANY]

By: _____

Name:

Title:

CP ACQUISITION, LLC

By: _____

Name: _____

Title: _____

Exhibit A**Relevant Antitrust Authorities**

- Canada
- United States of America

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

Appendix B

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;

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"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);

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“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);

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"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;

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"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;

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“**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

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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

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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

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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

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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;

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- (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;

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- (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 guarantees 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

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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;

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- (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.

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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;

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- (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

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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

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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

