



Affidavit #1 of William A. Sharkey
sworn June 1, 2012

No. S0120712
Vancouver Registry

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

AND

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

AND

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

AND

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

PETITIONERS

AFFIDAVIT #1 OF WILLIAM A. SHARKEY

I, William A. Sharkey, retiree, of 4878 3rd Avenue, Delta, British Columbia, SOLEMNLY
AFFIRM AND SAY THAT:

1. I am a former employee of Crown Zellerbach Canada Ltd. and Fletcher Challenge
Canada Ltd., which are predecessor companies to Catalyst Paper Corporation and/or its affiliated
companies (collectively, "Catalyst" or the "Company"). I retired from the Company in 1994
after approximately thirty years of service.

2. I am also the President (until the Annual General Meeting on June 5, 2012) and a director of the Catalyst-TimberWest Retired Salaried Employees' Association ("RSEA"), an association that was described in detail in the Affidavit #1 of Alan L. Statham, sworn on February 21, 2012. As such, I have personal knowledge of the facts to which I hereinafter depose, except where stated to be on information and belief, in which case I verily believe them to be true.

3. I swear this Affidavit in support of the Application brought by RSEA, as representative of former members of the Catalyst Paper Corporation Retirement Plan for Salaried Employees, B.C. Reg. No. 85400-1 (the "Salaried Plan"), persons entitled to or in receipt of survivor benefits from the Salaried Plan, and designated beneficiaries of former members of the Salaried Plan, for the declarations and orders set forth in the Notice of Application.

Personal Background

4. I joined the Company (more specifically, Crown Zellerbach Canada Ltd.) in 1964 and worked for the Company for thirty years before retiring in 1994. My entire career was with the Company (including its predecessor entities). Over the years, I held various positions with the Company, including mill Manager for the Elk Falls Mill. I ended my career as Senior Vice President of Pulp and Paper and member of the Executive Committee for Fletcher Challenge Canada Ltd., a predecessor to the Company. Attached hereto as **Exhibit "A"** is a true copy of my *curriculum vitae*.

5. I have entitlement to a pension from the defined benefit segment of the Salaried Plan.

6. When I accepted a salaried position with the Company, I understood that I was accepting a lower salary than I might otherwise be able to obtain in exchange for a promise of pension benefits in the future. I was told by the Company that my pension benefits were part of my compensation for my services. Attached hereto as **Exhibit “B”** is a copy of one of my Annual Benefits Statements from the Company, which states that “Your total compensation consists of your annual salary – and the contributions the Company makes on your behalf towards the cost of providing your income security programme”. My understanding is that all salaried Company employees received similar statements.

7. I worked for the Company for thirty years, trying to build the Company and to make it as successful as possible, in expectation that the Company would pay me the pension benefits that I was promised and to which I was contractually entitled.

8. Having already provided my services to the Company for thirty years, I am very distressed that I am now facing a potential reduction in the pension benefits that I was promised and the loss of all my medical benefits as a result of the Company’s current financial situation and the anticipated sale of the Company’s assets. I consider it to be very unfair and unjust that my benefits, as well as those of other retirees, may now be lost.

The Salaried Plan

9. As set out in the Affidavit #1 of Brian Baarda, Catalyst maintains a variety of pension plans, including the Salaried Plan, which is a registered pension plan under the British Columbia *Pension Benefits Standards Act* (“PBSA”).

10. Attached hereto as **Exhibit “C”** is a copy of the Salaried Plan (including a Certificate of Consolidation and Restatement), as consolidated and restated effective January 1, 2010, and as filed in June 2010 with the Financial Institutions Commission of British Columbia and the Superintendent of Pensions (collectively, the “Superintendent”). The Superintendent is the regulator within the provincial Ministry of Finance who is responsible for administering the *PBSA*.

11. The Salaried Plan is the umbrella plan for Catalyst’s non-union employees and provides a pension based on years of service and earnings. It is a consolidation of various prior pension plans that existed for certain predecessor companies to Catalyst Paper Corporation. The history of the Salaried Plan is outlined in Exhibit C at Part 1.

12. At present, the Salaried Plan applies to the following “Participating Companies” (as defined by Section 1.4.33 of the Salaried Plan): Catalyst Paper Corporation in its own capacity, Catalyst Paper Corporation in its capacity as general and managing partner of the general partnership known as Catalyst Paper, and Catalyst Pulp and Paper Sales Inc.

13. The Salaried Plan has both defined benefit and defined contribution segments. It is the defined benefit segment of the Salaried Plan that is of particular concern for purposes of the present motion.

14. In the defined benefit segment of the Salaried Plan, employees are promised a specific monthly benefit upon retirement. The monthly benefit is determined according to formulas that are specified in the Salaried Plan itself (see, for example, Section 2.4 of the Salaried Plan). The formulas vary depending on which of Catalyst’s predecessor companies an individual worked for.

15. In the defined contribution segment of the Salaried Plan, it is the level of employer contributions into the pension plan that is defined. Those contributions, plus the earnings generated by their investment until retirement, determine the amount of funds available to provide an annual pension benefit. Thus, the defined contribution segment of the Salaried Plan promises no particular level of benefits on retirement, only a particular level of contributions over the course of an employee's working life.

16. When I first started with the Company, the Salaried Plan was a defined benefit plan. In about 1994, or slightly earlier, the defined contribution segment of the Salaried Plan was created. Salaried employees hired after January 1, 1994 were enrolled in the defined contribution segment of the Salaried Plan.

17. At the time the defined contribution segment of the Salaried Plan was created, current employees of the Company had the option of continuing in the defined benefit segment or moving to the defined contribution segment. People who were already retired at that time did not have that option. Many of the retirees who are members of RSEA had no option to move out of the defined benefit segment of the Salaried Plan.

18. According to Actuarial Valuation Reports filed by the Company, as of December 31, 2010 there were 1,477 members of the defined benefit portion of the Salaried Plan and 572 active members of the defined contribution portion of the Salaried Plan.

19. The Salaried Plan has been amended three times since the consolidation and restatement effective January 1, 2010. Attached hereto as **Exhibit "D"** are copies of all of the amendments to the Salaried Plan since the January 1, 2010 consolidation and restatement.

Required Employer Contributions to Defined Benefit Plans

20. In a defined benefit pension plan, the employer contributes an amount calculated to pay its current pension obligations, when they become due. The balance of the pension obligation is funded by the investment earnings generated by the original contribution over the years (or decades) that it is being held in the fund, pending retirement.

21. Section 1.9.1 of the Salaried Plan (attached hereto as Exhibit C) outlines the contributions that Catalyst was and is required to make to the pension fund for the Salaried Plan, as follows:

1.9.1. Company Contributions

Subject to any agreement between the Company and another Participating Company, each Participating Company will contribute to the Fund each Plan Year such amounts, if any, which, when added to the amounts which have been accumulated in the Fund, are estimated by the Actuary to be **adequate to provide for the Plan benefits accruing in that Plan Year and to fund, in accordance with Applicable Pension Laws, any unfunded actuarial liability** which may exist under the Plan. Such amounts will be determined in accordance with and paid at such times as are required under Applicable Pension Laws as amended from time to time. The liability of any Participating Company under the Plan will at any time be limited to such contributions as should have theretofore been made by it, subject to Applicable Pension Laws. If, 60 days following the prescribed period allowed for remitting contributions, the Participating Company has failed to remit contributions, the Retirement Plan Committee must notify the superintendent, in writing and within 30 days, respecting the failure to remit contributions, whether or not the contributions are subsequently remitted.

...

[emphasis added].

22. Thus, the Salaried Plan itself imposes a clear obligation on the Company to contribute sufficient funds to the pension fund to be able to pay the benefits that were promised to members of the Salaried Plan.

23. Pursuant to the *PBSA* and the Pension Benefits Standards Regulation, B.C. Reg. 433/93 (the “Regulations”), every three years (unless the Superintendent requires otherwise), the administrator of a pension plan must undertake a formal actuarial valuation of the plan, and file an Actuarial Valuation Report with the Superintendent in which the pension plan is valued by an actuary on two different bases: a “going concern” basis, where it is assumed the plan will continue to operate indefinitely, and a “solvency” basis, where it is assumed that the employer will discontinue its business and wind up its pension plan.

24. If the Actuarial Valuation Report discloses a going concern “unfunded liability” (as defined in the Regulations), the employer must make equal payments at least quarterly in an amount that is sufficient to amortize the unfunded liability over a period not exceeding 15 years from the review date that established the unfunded liability (pursuant to Regulation 35(3)(b)).

25. If the Actuarial Valuation Report discloses a “solvency deficiency” (as defined in the Regulations), the employer must make equal payments at least quarterly in an amount that is sufficient to amortize the solvency deficiency over a period not exceeding 5 years from the review date that established the solvency deficiency (Regulation 35(3)(c)).

26. It is possible for a pension plan to have an unfunded liability or a solvency deficiency even if the employer has made all of the required annual contributions to the pension plan. For instance, if interest rates decline or the investment performance of a pension fund falls short of expectations, such that the total value of the assets in the fund is lower than anticipated,

an unfunded liability or a solvency deficiency may result. Conversely, if the investment performance of a fund is particularly strong, a surplus may result.

27. At all times, under the terms of the Salaried Plan, the Company remained obligated to pay sufficient funds into the pension fund for the Salaried Plan to ensure that it would be capable of paying the benefits that were promised to members of the Salaried Plan and their designated beneficiaries.

28. Section 1.9.2 of the Salaried Plan (attached hereto as Exhibit C) reinforces Catalyst's obligation to provide the promised benefits by imposing a trust over contributions due or owing to the Salaried Plan, as follows:

1.9.2. Deemed Trust

The Company and every other Participating Company must keep separate and apart from its own assets all contributions due or owing to the Plan. These contributions are deemed to be held in trust for Members and any other persons entitled to pension benefits, refunds or other payments under the Plan. Where a proceeding exists in respect of the Company or a Participating Company under the *Companies' Creditors Arrangement Act* (Canada), *Winding-up and Restructuring Act* (Canada) or similar provincial legislation or in relation to liquidation, receivership or secured creditor enforcement, or insolvency other than under the *Bankruptcy and Insolvency Act* (Canada), these amounts are deemed to be separate and apart and form no part of the estate of the Company or other Participating Company.

The Solvency Deficiency in the Salaried Plan

29. Over the years, Catalyst has prepared and filed formal Actuarial Valuation Reports with the Superintendent at least every three years as required. Catalyst also prepares a Report to Members of the Salaried Plan annually in which it presents the estimated financial condition of the Salaried Plan.

30. The formal Actuarial Valuation Reports and informal Reports to Members reveal that the Salaried Plan has had a solvency deficiency for many years.

31. The solvency deficiency was first reported to the Superintendent in the Actuarial Valuation Report for the Salaried Plan as at December 31, 2003, which was filed with the Superintendent in or around September 2004 (although my understanding is that the deficiency had actually been identified informally by Catalyst as early as 2001 or 2002). As of December 31, 2003, the amount of the deficiency was \$48,012,516. Attached hereto as **Exhibit "E"** is a copy of the Actuarial Valuation Report for the Salaried Plan as at December 31, 2003.

32. Since the solvency deficiency was reported in the Actuarial Valuation Report for the year ended December 31, 2003, Catalyst has been required to make contributions to the pension fund for the Salaried Plan on a quarterly basis to amortize the solvency deficiency.

33. To date, Catalyst has made all of the contributions required by the Superintendent to amortize the solvency deficiency, while remaining current on its normal cost contributions. Nonetheless, the total solvency deficiency in the Salaried Plan is higher now than it was in 2003, due in large part to adverse market conditions that have affected the value of the assets of the Salaried Plan.

34. As of December 31, 2006, the solvency deficiency in the Salaried Plan was \$39,326,277. Attached hereto as **Exhibit "F"** is a copy of an Actuarial Valuation Report for the Salaried Plan as at December 31, 2006, which was filed with the Superintendent, which reflects this amount.

35. As of December 31, 2007, the solvency deficiency in the Salaried Plan was \$44,651,428. Attached hereto as **Exhibit “G”** is a copy of an Actuarial Valuation Report for the Salaried Plan as at December 31, 2007, which was filed with the Superintendent, which reflects this amount.

36. As of December 31, 2008, the Company estimated that the solvency deficiency was \$87,759,000 (although no formal Actuarial Valuation Report was prepared at this time). Attached hereto as **Exhibit “H”** is the Company’s Report to Members for the year ended December 31, 2008, which reflects this estimate.

37. As of December 31, 2009, the Company estimated that the solvency deficiency in the Salaried Plan was \$81,417,000 (although again, no formal Actuarial Valuation Report was prepared at this time). Attached hereto as **Exhibit “I”** is the Company’s Report to Members for the year ended December 31, 2008, which reflects this estimate.

38. As of December 31, 2010, the total solvency value of the assets in the Salaried Plan was \$284,321,345 and the total solvency liability was \$357,803,930, for a total solvency deficiency of \$73,482,585 million. Attached hereto as **Exhibit “J”** is a copy of an Actuarial Valuation Report for the Salaried Plan as at December 31, 2010, which was filed with the Superintendent in or around December 2011, which reflects that these amounts.

39. I am advised by RSEA member John Graf, who is a retiree of the Company, and verily believe, that at the Catalyst Pension Administration Committee Meeting on May 29, 2012, it was reported that the solvency deficiency in the Salaried Plan as of March 31, 2012 was estimated to be \$105.7 million. Attached hereto as **Exhibit “K”** is a copy of Mr. Graf’s notes

from this meeting. I have also heard estimates recently that the solvency deficiency is closer to \$115 million.

40. If it is assumed that the solvency deficiency is currently about \$115 million, and that the total solvency liability continues to be in the range of \$357 million (as it was on December 31, 2010), that would mean that the Salaried Plan is approximately 32% underfunded. The actual numbers as of today's date are likely slightly different, but this calculation provides a rough estimate of the extent of the underfunding of the Salaried Plan.

The CCAA Filing and the Plan of Arrangement

41. As set forth in the Affidavit #1 of Brian Baarda, Catalyst has a significant amount of debt, including both secured and unsecured debt. Some of Catalyst's most significant creditors included holders of Catalyst's secured 2016 notes (the "2016 Notes" or the "Senior Secured Notes") and holders of Catalyst's unsecured 2014 notes.

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

43. In late March 2012, Catalyst proposed a Plan of Compromise and Arrangement (the "Plan of Arrangement") to its creditors, which, if approved by sufficient majorities of affected creditors, would have compromised and restructured Catalyst's debt, with the goal of enabling Catalyst to improve its liquidity and emerge from CCAA protection as a viable going concern. The Plan of Arrangement was subsequently amended before being voted upon by

Catalyst's creditors. Attached hereto as **Exhibit "M"** is a true copy of the Plan of Arrangement, as amended.

44. Under the terms of the Plan of Arrangement, the claims of certain affected creditors would have been forever extinguished in exchange for certain distributions of assets as specified in the Plan of Arrangement. Section 2.3 of the Plan of Arrangement made clear that pension-related claims, including claims in respect of any unfunded liabilities or solvency deficiencies in the Salaried Plan, were not affected claims.

45. Under the terms of the Plan of Arrangement and various related Orders of the Court, only creditors who held claims that were affected by the Plan of Arrangement were entitled to vote upon the Plan of Arrangement. Because pension claims were deemed to be unaffected by the Plan of Arrangement, beneficiaries of the Salaried Plan were not entitled to vote upon the Plan of Arrangement.

46. On May 23, 2012, the Plan of Arrangement failed to gain approval by a sufficient majority of creditors.

The Upcoming Sale of Catalyst's Assets

47. As a result of the failure of the Plan of Arrangement, the Company has now embarked upon a Sale and Investor Solicitation Process, consistent with the terms of a court Order dated March 22, 2012, as amended (the "SISP Order"), which provided that if the Plan of Arrangement failed, a bidding procedure would be immediately activated to sell the assets of Catalyst through a "Stalking Horse Bid" procedure in accordance with the terms of a Stalking Horse Purchase Agreement (the "SHPA"), the draft form of which was approved by this Court

on April 4, 2012 (and which is attached as Exhibit “H” to the Affidavit #3 of Gary McCaig, made on April 13, 2012).

48. Attached hereto as **Exhibit “L”** is a copy of the SISP Order dated March 22, 2012.

49. Under the terms of the SHPA, the purchaser (the “Stalking Horse Purchaser”) is proposing to acquire the majority of Catalyst’s assets, with the exception of certain Excluded Assets (as defined in the SHPA).

50. Pursuant to Section 2.2(a) of the SHPA, the purchase price for Catalyst’s assets is in the form of a credit bid of an amount of the obligations outstanding under the Senior Secured Notes, plus payment by the Stalking Horse Purchaser in full, in cash or through the assumption of liabilities, of various amounts, including an amount at least equal to “any claims ranking senior in priority the Senior Secured Notes that are or would be payable in the CCAA Cases . . .”

51. Under the SHPA, the Stalking Horse Purchaser does not intend to assume liability for the Salaried Plan. Specifically, the SHPA provides that:

- (a) The Salaried Plan is part of “Excluded Liabilities” as defined in Section 2.1(d) of the SHPA and as such, will not be assumed by the Stalking Horse Purchaser;
- (b) The SHPA also expressly exempts the Salaried Plan from the definition of “Transferred Employee Plan”, meaning that the Stalking Horse Purchaser will not assume the administration of the Salaried Plan (see Sections 1.1 and 2.1(c)(iii)); and,
- (c) The SHPA includes a condition that on closing, the Canadian Court granting a Final Order shall discharge the Stalking Horse Purchaser from any liabilities or

obligations of Catalyst under any of Catalyst's Employee Plans, such as the Salaried Plan (other than Transferred Employee Plans).

52. If a sale were to proceed in accordance with the terms of the SHPA, or in accordance with any other asset sale agreement in which the purchaser does not take on the liability for the Salaried Plan, my understanding is that the Salaried Plan will have to be wound up. I understand that it is also highly likely that any purchaser of Catalyst's assets will terminate all or part of the health benefits that retirees currently receive from the Company.

53. Section 1.12.5 of the Salaried Plan (attached hereto as Exhibit C) addresses solvency deficiency contributions that the Company must make in the event the Salaried Plan is discontinued, as follows:

1.12.5 Solvency Deficiency Contributions

In the event the Plan shall be discontinued at any time either in whole, or in part with respect to a specified group of Members only, the Company shall contribute, subject to section 1.9.1, such amounts that would otherwise have been required to meet the tests and standards for solvency, as prescribed by the Applicable Pension Laws, to fund the benefits that have accrued to the date of such discontinuance or partial discontinuance.

54. It has always been my understanding that if the Company terminated the Salaried Plan, it would be required to pay the entire solvency deficiency into the pension fund for the Salaried Plan.

55. If the Court permits the Company to sell its assets to the Stalking Horse Purchaser (or any other purchaser) before the solvency deficiency is paid into the pension fund, there will be insufficient assets remaining in the Company after the sale for the Company to pay the entire solvency deficiency into the pension fund. As such, the Salaried Plan will have to be wound up

in its underfunded state, resulting in a significant reduction of pension benefits for retirees or their beneficiaries. This would severely prejudice the beneficiaries of Salaried Plan.

Impact of a Wind-Up on Members of the Salaried Plan

56. Under the terms of Section 1.12.6 Salaried Plan, as amended effective May 24, 2012 (see Exhibit D), if the Salaried Plan is wound up, each member of the Salaried Plan and each spouse who is entitled to or is receiving retirement income under the Salaried Plan “may elect to receive provision for his or her accrued benefits in the form of cash, the purchase of annuity contracts, transfers to locked-in vehicles or a combination thereof, to the extent each is permitted under Applicable Pension Laws and Revenue Rules”.

57. If the Salaried Plan is wound up in its current underfunded state, regardless which of these options a retiree or spouse elects, he/she will be facing a reduction of his/her accrued pension benefits of some magnitude.

58. At this stage, the exact magnitude of the reduction is not known, as that will depend upon the results of an actuarial report that is prepared as of the wind-up date. However, as noted above, current estimates are that the Salaried Plan is underfunded by approximately 32%, and as such, reductions in benefits in the range of 30% to 35% can be expected.

59. Most RSEA members or beneficiaries with entitlement under the defined benefit portion of the Salaried Plan receive modest pensions from the Company. According to the Company’s most recent Actuarial Valuation Report (Exhibit J), as of December 31, 2010, there were 1,195 retired members or beneficiaries of retired members, 203 terminated vested members, and 79 active and disabled members of the defined benefit segment of the Salaried

Plan, for a total of 1477 members or beneficiaries of the defined benefit segment of the Salaried Plan. The retired members or beneficiaries of retired members have an average age of 73.6 years and an average annual lifetime pension of \$18,545.00. The terminated vested members have an average age of 58.9 and an average annual lifetime pension of \$3,568.00. The average annual pension entitlement of the active and disabled members is not available.

60. A reduction in pension benefits for retirees or their beneficiaries, especially a reduction as significant as 30% or 35%, will cause significant hardship to many retirees and their beneficiaries.

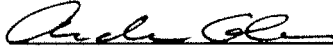
61. To put these figures in perspective, for a pensioner who is receiving an average pension under the Salaried Plan, a 35% reduction in benefits would cause their annual pension benefit to drop from \$18,545.00 per year to \$12,054.00 per year.

62. Many retirees and their families have based their financial planning on an assumption that they will continue to receive the pensions that were promised to them. Indeed, the Company encouraged its employees to do so, as is reflected in the Annual Benefits Statement attached hereto as Exhibit B, which stated that “we strongly recommend that you study this statement *and keep it with your family financial planning documents*” (emphasis added). Similarly, attached hereto as **Exhibit “N”** is a copy of a booklet that I received sometime in 1993, the year before my retirement, in which I was encouraged to use the information regarding my pension entitlement in my financial planning.

63. While I cannot speak for the specific impact that a reduction of benefits would have on each and every retiree or beneficiary, as that depends on each individual’s circumstances, over the years I have had conversations with many RSEA members who have

expressed serious concerns that any non-negligible reduction in pension benefits would have a devastating impact on their quality of life and would cause them to have difficulty meeting their financial obligations. The fact that retirees and their beneficiaries are also facing an almost certain loss of health benefits makes the loss of pension benefits even more devastating.

AFFIRMED BEFORE ME at the City of
Vancouver, Province of British Columbia,
this 1st day of June, 2012.


A Commissioner for taking Affidavits
in British Columbia


WILLIAM A. SHARKEY

ANDREA A. GLEN
Barrister & Solicitor
Hunter Litigation Chambers
Suite 2100 - 1040 West Georgia Street
Vancouver, BC V6E 4H1
Telephone: 604-647-3549

William Arthur (Bill) Sharkey, P Eng

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Education

BASc, Chemical Engineering UBC, 1960

Queens University Executive Program about 1976

Harvard University Advanced Management Program , 1988

Career

During my Career, I never changed employers, but the name of the company changed from Crown Zellerbach Corp, to Crown Forest Industries, to Fletcher Challenge Canada Limited. The following are not all my positions but is indicative of my career. I was the youngest mill Manager for Crown Zellerbach Corp.

Crown Zellerbach Elk Falls Mill, 1964

Manager Ocean Falls Mill- Crown Zellerbach about 1971

Technical Department Manager Crown Zellerbach USA Camas mill

Assistant Manager Antioch California Mill, Crown Zellerbach USA, 1973

Manager Elk Falls Mill about 1978

President and CEO Tasman Pulp and Paper , Fletcher Challenge Corp, 1988

Senior VP Pulp and Paper, Company Officer, on Executive Committee of Fletcher Challenge Canada Ltd, 1990

Retired 1994

Other

Chairman District 49 School Board about 1969

Ocean Falls-Bella Coola Regional District Board of Directors

Chairman Campbell River Hospital Board about 1979

Pulp and Paper Research Institute, Director and Chairman of the Technical Committee

Director and President of Catalyst-TimberWest Retired salaried Employees Association about 2000

Catalyst Paper Corp Pension Advisory Committee observer 2010

Lions Club and Rotary Club member

This is Exhibit "A" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 15th day of June 2012

Adrian Cole
A Commissioner for taking Affidavits
within British Columbia

When there are medical expenses

PROVINCIAL HEALTH INSURANCE

Provincial insurance provides coverage for you and your eligible dependents:

- Comprehensive hospital care at standard ward level and other qualifying hospital expenses such as those for operating room, laboratory examinations and drugs administered in hospital.
- Payments up to the amounts specified in the provincial Medical Association fee schedule for doctors' charges for office, home and hospital calls, surgical and anaesthetic expenses, consultations, diagnostic and therapeutic treatment and X-rays.

COMPANY MEDICAL PLAN

This Plan pays 80% of certain eligible expenses for hospital and medical services not covered by provincial insurance. Eligible expenses include prescription drugs, private room accommodation in hospital, dental care, vision care and hearing aids up to specified limits as outlined in the Medical and Dental Benefits section of the employee benefits binder for salaried employees.

If you are sick or disabled

\$ 800

If you cannot work due to illness or injury your salary will be protected, and in most circumstances will continue for a period of time — followed by a week for another 39 weeks from the Sickness and Accident Plan less any benefits payable under Workers' Compensation Laws.

Then if you are still disabled and unable to work after these benefits cease, or 12 months have elapsed, whichever is longer, you will receive a month from the Long Term Disability Plan reduced by any benefits payable under Workers' Compensation Laws and Canada/Quebec Pension Plan. This amount continues to age 65 or earlier recovery.

\$ 38794
\$ 25000

You will also receive:

- Continued protection from other Plans in the Company benefit programme.
 - A cash payment of from the Savings Plan* if disability is permanent.
- is the maximum lump sum cash payment you may receive from the Company-paid Accidental Death and Dismemberment Insurance Plan.

is the maximum lump sum cash payment you may receive from the Voluntary Accident Insurance Plan.

Survivors' benefits in the event of your death before retirement

\$ 3500

\$ 292560
\$ 117024
\$ 38794

1. CASH PAYMENTS
From the Life Insurance Plan
From the Supplemental Life Insurance Plan
From the Savings Plan*
A lump sum death benefit may be payable from the Canada/Quebec Pension Plan.

\$ 25000
\$ 200000

2. SURVIVORS' INCOME
Additional monthly income benefits may be available from Canada/Quebec Pension Plan and from Workers' Compensation depending on the survivors' circumstances.

3. ADDITIONAL CASH PAYMENTS IF YOUR DEATH IS THE RESULT OF AN ACCIDENT
From the Company-paid Accidental Death and Dismemberment Insurance Plan.
From the Voluntary Accident Insurance Plan.
From the Travel Accident Insurance Plan if your death is the result of an accident while travelling on Company business.
A funeral allowance plus a lump sum death benefit may be payable from Workers' Compensation if your death is the result of an on-the-job accident.

Retirement credits earned to date

12
23.71

Months of service accrued this year.
Years of service accrued to December 31, 1987, based on your final compensation date of
APRIL 17, 1964

Your beneficiary named under the Retirement Plan is
M. M. SHARKEY

\$ 3312

100.0

A month earned pension payable at age 65 assuming you are 100% vested.
Is the percentage you are presently vested.

When you retire

38.46
\$ 5000 *
\$ 540
\$ 310
\$ 5850

Based on your date of birth on
SEPTEMBER 15, 1937
your normal retirement date is the first day of
OCTOBER 2002
and, based on years of service and present earnings, your monthly retirement income is estimated to be:
A month from the Company Retirement Plan
A month from the Canada/Quebec Pension Plan
A month from Old Age Security (Your spouse is entitled to a similar amount, when eligible)
A month total estimated Retirement Income
BASIC PLAN ONLY — DOES NOT INCLUDE SUPPLEMENTAL RETIREMENT PLAN
* INCLUDES SUSPENDED PLAN

\$ 445500
\$ 38794
\$ 1000

Is the approximate amount a person age 65 would be required to pay to a representative insurance company to buy the benefit from the Company Retirement Plan.
Is the present value you have in the Savings Plan.*

OTHER BENEFITS IN RETIREMENT

Death benefit

Medical Coverage continues:

The Company Medical Plan and your Provincial Health Insurance will continue to you and your dependents during your retirement years. The Company pays the full cost.

Your total compensation

\$ 43790
\$ 8114
\$ 35676

Your total compensation consists of your annual salary — and the contributions the Company makes on your behalf towards the cost of providing your income security programme.

Your major benefits are provided by:

- Medical Plan • Sickness and Accident Plan • Life Insurance Plan • Retirement Plan • Canada Pension Plan • Travel Accident Plan • Vacations and Holidays
- Workers' Compensation • Provincial Health Insurance • Long Term Disability Plan • Savings Plan • Supplemental Life Insurance Plan • Accidental Death and Dismemberment Plan • Voluntary Accident Insurance Plan.

Is the estimated cost of your benefits
Is the approximate amount paid by you
Is the estimated annual amount paid by the Company on your behalf.

***NOTE — This amount does not include the value of any contributions you may have made by payroll deduction to the Registered Retirement Savings Plan. If you are participating in this Plan, the information on your contributions will be reported directly to you by the National Trust.**

Compiled as of December 31, 1987

Especially prepared for

Mr. W. A. Sharkey

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This is Exhibit "B" referred to in the

affidavit of William M. Sharkey

sworn before me at Vancouver

this 1st day of June 20 12

W. A. Sharkey

A Commissioner for Taking Affidavits
within British Columbia

Financial Review

It is equally important to record the private arrangements you have provided for yourself and your family. The following form provides a convenient way of recording the essential details of your private financial plans and is intended for your personal use:

IMPORTANT ACTIONS FOR YOU TO TAKE NOW

1. Review your will and/or trust instrument at least once a year for:
 - changes in beneficiaries resulting from births, deaths, marriages, etc.
 - changes in circumstances resulting from maturity of children, illness, significant changes in assets, etc.
 - changes in federal or provincial tax, probate or property law which may affect your will.
 - changes that may be desirable in executors, trustees and guardians for children.
2. Review your insurance program to see if it meets your present needs and to ensure that the beneficiary designations, including those for Company life insurance plans, are up to date.
3. List below the locations of your important papers, etc.

- (a) My will is located at _____
(b) I maintain bank accounts as follows:

BANK

TYPE OF ACCOUNT

ACCOUNT No.

- (c) My bank books are located at _____

- (d) My insurance policies are located at _____

- (e) My safety deposit box is located at _____

The key for it is located at _____

- (f) My other important papers (tax returns, share certificates, mortgages, etc.) are located at _____

4. Important people to contact in the event of my death:

NAME

ADDRESS

TELEPHONE

My executor is _____

My lawyer is _____

My insurance agent is _____



CrownForest

Annual Benefits Statement

To Salaried Employees

This 1987 statement will provide you with complete information regarding your status in the Company's benefit plans.

If you are a Savings Plan participant, you will already have received a statement from Montreal Trust. If you have a Registered Retirement Savings Plan with National Trust, they will provide you with the status of your accounts.

This year's statement is essentially the same as last year with respect to the Company's benefit plans, except for some minor information which has been included to help provide you with a more meaningful statement.

The Company is pleased to be able to provide this comprehensive benefits package, and we strongly recommend that you study this statement and keep it with your family financial planning documents.

George L. Pearson
President and
Chief Executive Officer

How your report was prepared

The benefits shown in this report have been calculated using certain assumptions including the assumptions that your income will continue at its present level to your normal retirement date and that you will qualify for the government benefits as outlined herein.

Every effort has been made to report your benefit position accurately and booklets are available which provide more information.

You will appreciate that this is a summary statement for your convenience and that all details furnished must necessarily be governed by the provisions of applicable legal documents.

If you have questions concerning this report or require further information, please contact your supervisor.

Notes

- A. Your benefit will be based on your average earnings in the 60 consecutive months (during the last 120 months of your employment) in which the average is highest.
- B. You are entitled to 50% of your accrued pension benefit if you terminate with three years of service with the Company. The percentage increases 10% per year making you 100% vested after 8 years with the Company. However, if you are age 45 or older and have one or more years of service you are 100% vested. The vested pension shown on this statement is the amount payable at age 65. The actuarial equivalent of this amount can be taken anytime after age 55.
- C. You may elect to take optional early retirement anytime after attaining age 55 and receive a benefit which is reduced by 3% for each year between your retirement date and the date on which you would both attain age 60 and have an age plus service total of 80.
- D. If you become disabled while an employee you will continue to accrue service under the Retirement Plan until you recover, die, or reach age 65, whichever comes first.
- E. The death benefit provided under the Retirement Plan for an active employee is as follows: If you die before retirement, but after age 55, your eligible spouse will receive a lifetime pension equal to one half of the 50% joint and survivor pension you would have received if you had retired on the date of your death. If your death occurs before age 55, no benefits are payable from the Plan.
- F. The December 31, 1986 actuarial valuation shows, that when all past improvements are included, the Plan is 100% funded on a going concern basis.

**THE CATALYST PAPER CORPORATION RETIREMENT PLAN
FOR SALARIED EMPLOYEES**

**CERTIFICATE OF CONSOLIDATION AND RESTATEMENT
#2010-02**

WHEREAS:

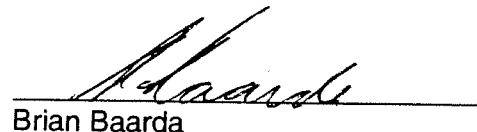
1. Catalyst Paper Corporation (the "Company") sponsors the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "Plan");
2. The Company retains the right to amend the Plan pursuant to Section 1.12.1 thereof and the Company has further delegated the power to adopt certain amendments to the Plan of an administrative nature to the Retirement Plan Committee;
3. The Company now wishes to consolidate and restate the Plan to reflect all amendments since January 1, 2004:

NOW THEREFORE BE IT RESOLVED THAT the Plan, as consolidated and restated effective January 1, 2010, is hereby adopted in the form attached hereto as Exhibit I.

We, Steve Boniferno and Brian Baarda respectively the Senior Vice-President, Human Resources and the Vice-President, Finance and Chief Financial Officer of Catalyst Paper Corporation, certify this to be a true copy of a resolution approved by the Retirement Plan Committee on the 13th day of May, 2010.

DATED AT RICHMOND, BC, this 13th day of May, 2010.


Steve Boniferno


Brian Baarda

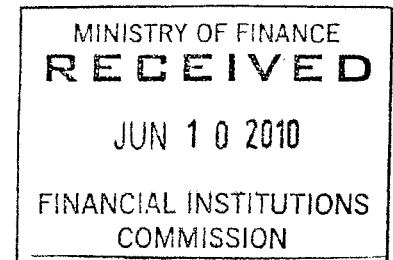
This is Exhibit "C" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 1st day of June 20 12

AMENDMENT

JUN 15 2010

REGISTERED

A Commissioner for taking Affidavits
within British Columbia



Catalyst Paper Corporation
Retirement Plan for Salaried Employees

Consolidation and Restatement as at January 1, 2010

AMENDMENT

JUN 15 2010

REGISTERED

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Part 1 General

1.1. Introduction

- 1.1.1. The primary purpose of the Plan is to provide periodic payment of retirement income and related benefits after retirement to eligible employees of Participating Companies who are employed on and after the effective date of this consolidation and restatement of the Plan. The Plan incorporates and preserves the entitlements and benefits accrued by Employees and former Employees prior to the effective date of this restatement under the Prior Plans. All assets accumulated under such Prior Plans in respect of the benefit entitlements of such Employees and former Employees are therefore consolidated in the Fund established for the Plan, and all liabilities under such Prior Plans in respect of Employees and former Employees are correspondingly assumed under the terms of the Plan.
- 1.1.2. Benefits in respect of a member of a Prior Plan whose employment ceased prior to January 1, 2004 shall be determined in accordance with the terms of the applicable Prior Plan at the time of such cessation of employment, except as may be specifically provided herein.
- 1.1.3. Benefits in respect of a Member whose employment ceases on or after January 1, 2004 shall not be less, in respect of service prior to January 1, 2004, than the benefit determined in respect of such service under the terms of the Prior Plans.
- 1.1.4. Effective January 1, 2004, each active Member is either a Norske DB Member, accruing DB Pension Benefits under the defined benefit provisions of Part 2 of the Plan, a DC Member, accruing DC Pension Benefits under the defined contribution provisions of Part 3 of the Plan or a Pacifica DB Member, accruing DB Pension Benefits under the defined benefit provisions of Part 4 of the Plan.

Effective January 1, 2010, with the exception of those DB Members designated by the Company as employees on salary continuance or working notice as identified in Appendix F, all DB Members will cease accruing DB Pension Benefits under the defined benefit provisions Part 2 and Part 4 of the Plan, as applicable, and will commence accruing DC Pension Benefits under the defined contribution provisions of Part 3 of the Plan. DB Pension Benefits accrued prior to January 1, 2010 will continue to be administered in accordance with the defined benefit provisions of Part 2 or Part 4 of the Plan, as applicable. The provisions of Part 1 apply to all Members.

- 1.1.5. Each person who becomes an Employee on or after January 1, 2004 who is not already a member of another registered pension plan sponsored by the Company shall automatically become a DC Member and will commence to accrue DC Pension Benefits under Part 3 of the Plan.
- 1.1.6. Each Employee who transfers, on or after January 1, 2004 but prior to January 1, 2009, from a category of employment not eligible for membership in the Plan to a category of employment such that he becomes a Member in accordance with section 1.5.2, and whose latest period of Continuous Employment with the Company commenced prior to January 1, 1994, and who on January 1, 1994 was an Employee of the Company, shall make, within 30 days notification of his option by the Company, an irrevocable election, effective on his date of transfer to become either a DB Member, accruing DB Pension Benefits in accordance with Part 2 of the Plan, or a DC Member, accruing DC Pension Benefits.

Notwithstanding the preceding paragraph, each Employee whose latest period of Continuous Employment with Pacifica Papers Inc. commenced prior to June 30, 1996, and who on June 30, 1996 was an Employee of Pacifica Papers Inc., and who transfers, on or after January 1, 2004 but prior to January 1, 2009, from a category of employment not eligible for membership in the Plan to a category of employment such that he becomes a Member in accordance with section 1.5.2, shall make, within 30 days notification of his option by the Company, an irrevocable election, effective on his date

of transfer to become either a DB Member, accruing DB Pension Benefits in accordance with Part 2 of the Plan, or a DC Member, accruing DC Pension Benefits.

For greater clarity, each Employee who transfers on or after January 1, 2009 from a category of employment not eligible for membership in the Plan to a category of employment such that he becomes a Member in accordance with section 1.5.2 shall automatically become a DC member and will commence to accrue DC Pension Benefits.

- 1.1.7. Each Employee, who transfers on or after January 1, 2004 from a category of employment not eligible for membership in the Plan to a category of employment such that he becomes a Member in accordance with section 1.5.2, other than in accordance with section 1.1.6, shall automatically become a DC Member and will commence to accrue DC Pension Benefits.
- 1.1.8. Each Norske DB Member who was in receipt of benefits under the Company's long term disability plan on January 1, 2004 and who subsequently returns to active employment on or after January 1, 2004 and before January 1, 2010 shall thereupon make an irrevocable election, effective on the date of his return to active employment, to remain a Norske DB Member accruing DB Pension Benefits, or to become a DC Member accruing DC Pension Benefits. Each Norske DB Member who was in receipt of benefits under the Company's long term disability plan on January 1, 2010 shall automatically become a DC Member and will commence to accrue DC Pension Benefits.
- 1.1.9. Each Pacifica DB Member who was in receipt of benefits under the Company's long term disability plan on January 1, 2002 and who subsequently returns to active employment on or after January 1, 2002 and before January 1, 2010 shall thereupon make an irrevocable election, effective on the date of his return to active employment, to remain a Pacifica DB Member accruing DB Pension Benefits, or to become a DC Member accruing DC Pension Benefits. Each Pacifica DB Member who was in receipt of benefits under the Company's long term disability plan on January 1, 2010 shall automatically become a DC Member and will commence to accrue DC Pension Benefits.

- 1.1.10. The Plan is intended to be an employees' pension plan accepted for registration under the *Income Tax Act* and Applicable Pension Laws. The Plan shall be designed, written and administered to comply with the registration requirements under Revenue Rules and Applicable Pension Laws. If the Plan fails to comply with such requirements, the Company may in its absolute discretion amend the Plan to comply with such requirements or terminate the Plan.
- 1.1.11. Any amendment to the Plan is conditional upon acceptance for registration under both Revenue Rules and Applicable Pension Laws, and may be modified or withdrawn by the Company, in its sole and absolute discretion if the amendment is not accepted for registration under either Applicable Pension Laws or Revenue Rules.
- 1.1.12. The Plan is a consolidation and restatement of the Prior Plans. Effective January 1, 2004 the Norske Plan and the Pacifica Plan are consolidated and restated as set out herein. Each such plan has been amended to assume the members, assets and liabilities of the other. Active Members of the Norske Plan as it read on December 31, 2003 who were "DB Members" will be known as "Norske DB Members" and will accrue benefits in accordance with Part 2 of the Plan commencing January 1, 2004. Members of the Norske Plan as it read on December 31, 2003 who were "DC Members" continue to be known as "DC Members" and will accrue benefits in accordance with Part 3 of the Plan commencing January 1, 2004. Members of the Pacifica Plan on December 31, 2003 become "Pacifica DB Members" and will accrue benefits in accordance with Part 4 of the Plan commencing January 1, 2004.

Effective January 1, 2010, Norske DB Members and Pacifica DB Members, with the exception of those Members designated by the Company as employees on salary continuance or working notice, will cease accruing DB Pension Benefits in accordance with Part 2 and Part 4 of the Plan, as applicable, and automatically become DC Members and will commence accruing DC Pension Benefits under the defined contribution provisions of Part 3 of the Plan.

1.2. Plan History

- 1.2.1. Effective May 1, 1952, British Columbia Forest Products Limited established the *British Columbia Forest Products Limited Retirement Plan for Salaried Employees* (the “BCFP Salaried Plan”).
- 1.2.2. Effective January 1, 1965, Crown Zellerbach Canada Limited established the *Crown Zellerbach Canada Limited Retirement Plan for Salaried Employees*. Effective October 1, 1983, Crown Forest Industries Limited assumed sponsorship of such plan and changed its name to the *Crown Forest Industries Limited Retirement Plan for Salaried Employees* (the “Crown Forest Salaried Plan”).
- 1.2.3. Fletcher Challenge Canada Limited consolidated its operations with those of British Columbia Forest Products Limited and Crown Forest Industries Limited, following which the two predecessor plans were consolidated to form the *Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees* effective January 1, 1989. Effective December 15, 2000, Fletcher Challenge Canada Limited changed its name to Norske Skog Canada Limited (the “Company”) and, effective September 1, 2001, such plan was renamed the *Norske Skog Canada Limited Retirement Plan for Salaried Employees* (the “Norske Plan”).
- 1.2.4. Each member of the Norske Plan who was actively employed on December 31, 1993 and who remained actively employed on January 1, 1994, other than a member who was in receipt of benefits under the Company’s long term disability plan, was required to make an irrevocable election, effective January 1, 1994 to continue accruing defined benefits or to commence accruing defined contribution benefits. Each member of the Norske Plan who was in receipt of benefits under the Company’s long term disability plan on January 1, 1994 continued to accrue defined benefits.
- 1.2.5. Effective October 1, 1996, the *Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees who are Subject to Pension Benefits Legislation* (which, prior to January 1, 1989 was named the *Retirement Plan for Salaried Employees of British*

Columbia Forest Products Limited who are Subject to Pension Benefits Legislation), was consolidated with the Norske Plan.

- 1.2.6. Prior to January 1, 1997, TimberWest Forest Limited acquired various operations from the Company, then known as Fletcher Challenge Canada Limited, and agreed to assume the Company's obligations and liabilities under the Norske Plan, then known as the *Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees*, in respect of certain of the past and present employees and former employees associated with the acquired operations. To reflect this assumption of liability, the Norske Plan's assets were divided into two separate and distinct trust funds as of January 1, 1994. One fund, the "TimberWest Fund", was used exclusively to meet the claims under the Norske Plan of the Members for whom TimberWest Forest Limited assumed responsibility (the "TimberWest Members"). The other fund, the "Fletcher Fund", was used exclusively to meet the claims under the Norske Plan of the remaining members (the "Fletcher Members"). Effective January 1, 1997, the Norske Plan was divided into two legally separate pension plans for each of the Fletcher Members and the TimberWest Members. As of that date, the Fletcher Members continued to receive benefits in accordance with the terms of the Norske Plan, and the Company remained the sponsor of the Norske Plan. Effective January 1, 1997, the TimberWest Members became subject to the "TimberWest Forest Limited Retirement Plan for Salaried Employees" (the "TimberWest Salaried Plan"). That plan assumed responsibility for all benefits the TimberWest Members had accrued under this Plan prior to January 1, 1997, and is sponsored by TimberWest Forest Limited. The division of the Norske Plan, and the creation of the TimberWest Salaried Plan, shall not result in the duplication or increase in the benefits which would have been provided under the Norske Plan, and the Norske Plan shall be construed and interpreted on that basis.
- 1.2.7. Effective June 8, 1998, Pacifica Papers Inc. ("Pacifica") was established out of operations previously forming part of MacMillan Bloedel Limited ("MacMillan Bloedel"). Most salaried employees of Pacifica were members of the *Retirement Plan for Salaried Employees of MacMillan Bloedel Limited Plan 90* (the "MacMillan Employees Plan").

Executives of MacMillan Bloedel were members of the *Retirement Plan for Executive Employees of MacMillan Bloedel Limited Plan 97* (the “MacMillan Executives Plan”). Pacifica established and sponsored the *Defined Benefit Retirement Plan for Salaried Employees of Pacifica Papers Inc.* (the “Pacifica Plan”) effective June 8, 1998. All Pacifica executives formerly covered under the MacMillan Executives Plan and Pacifica salaried employees formerly covered under the MacMillan Employees Plan were covered by the Pacifica Plan. The Pacifica Plan provided the same benefits provided by the MacMillan Executives Plan for Pacifica executives and the MacMillan Employees Plan for Pacifica salaried employees for service with MacMillan Bloedel up to June 8, 1998 and continued those benefits to those employees and executives for service to Pacifica on and after June 8, 1998.

- 1.2.8. On September 1, 2001, the Company amalgamated with Pacifica and continued as Norske Skog Canada Limited. Effective September 1, 2001, the Pacifica Plan was renamed the *Norske Skog Canada Limited Defined Benefit Retirement Plan for Former Pacifica Papers Inc. Employees* and continued its existence under the sponsorship of the amalgamated Company for the benefit of employees who were members of the Pacifica Plan on August 31, 2001. Those employees continued as members of the renamed Pacifica Plan on September 1, 2001 and did not become members of the Norske Plan.
- 1.2.9. Effective December 31, 2001, the renamed Pacifica Plan was amended to limit certain benefit options available to its members for periods on and after December 31, 2001 and to give members of the Pacifica Plan a final opportunity to elect benefit options. For periods on and after January 1, 2002, employees who continued as members of the renamed Pacifica Plan were required to accrue service under the benefit option last elected on or before December 31, 2001.
- 1.2.10. Each member of the Pacifica Plan who was actively employed on December 31, 2001 and who remained actively employed on January 1, 2002, other than a member who was in receipt of benefits under the Company’s long term disability plan, was required to make an irrevocable election, effective January 1, 2002, to continue accruing defined

benefits or to commence accruing defined contribution benefits. Each member of the Pacifica Plan who was in receipt of benefits under the Company's long term disability plan on January 1, 2002 continued to accrue defined benefits.

- 1.2.11. Effective January 1, 2002, the Norske Plan was amended to introduce a contributory retirement benefit option for DB Members to be known as the Contributory Option.
- 1.2.12. Effective January 1, 2002, the Norske Plan was amended to allow Employees as of January 1, 2002 who had been members of the *Norske Skog Canada Limited Defined Contribution Pension Plan for Former Pacifica Papers Inc. Employees* (the "Pacifica DC Plan") to join the Norske Plan as fully vested DC Members. Such individuals' Company and Past Service Accounts, as defined in the Pacifica DC Plan, were required to be transferred to Accounts under the DC Pension Benefits provisions of the Norske Plan without distinction as to the origin of such funds.
- 1.2.13. Effective January 1, 2004 the Norske Plan and the Pacifica Plan are consolidated to form the Plan as set out herein.
- 1.2.14. Effective October 3, 2005, Norske Skog Canada Limited changed its name to Catalyst Paper Corporation and the Plan was renamed the *Catalyst Paper Corporation Retirement Plan for Salaried Employees*.
- 1.2.15. Effective January 1, 2010, the Plan was amended such that Norske DB Members and Pacifica DB Members, with the exception of those DB Members designated by the Company as employees on salary continuance or working notice as identified in Appendix F, will cease accruing DB Pension Benefits in accordance with Part 2 and Part 4 of the Plan, as applicable, and will automatically become DC Members and commence accruing DC Pension Benefits under the defined contribution provisions of Part 3 of the Plan.

1.3. Construction and Interpretation

- 1.3.1. In this Plan, references to the masculine include the feminine; references to the singular shall include the plural and vice versa, as the context shall require, and references to a paragraph, section or an article, mean a paragraph, section or an article in the Plan.
- 1.3.2. The Plan shall be governed and administered in accordance with Revenue Rules and Applicable Pension Laws and shall be construed in accordance with the laws of the Province of British Columbia, and the laws of Canada applicable therein.
- 1.3.3. All amounts payable under the Plan shall be construed as being expressed in the lawful currency of Canada.
- 1.3.4. If any provision of the Plan or part thereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.
- 1.3.5. Headings wherever used herein are for reference purposes only, and do not limit or extend the meaning of any of the Plan's provisions.

1.4. Definitions

In the Plan, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

- 1.4.1. **Actuarial(ly) Equivalent** means a benefit of equivalent value but of different form of payment, as determined on a basis of calculation adopted by the Company on the advice of the Actuary, in accordance with Applicable Pension Laws and Revenue Rules, and in effect on the date such determination is being made.

"Actuarial Equivalent" benefits shall be determined using mortality assumptions which do not vary according to the gender of the applicable Member or Spouse, as the case may be.

1.4.2. **"Actuary"** means a person who is a Fellow of the Canadian Institute of Actuaries and who carries out actuarial valuations and provides actuarial advice and service at the request of the Company.

1.4.3. **"Applicable Pension Laws"** means the *Pension Benefits Standards Act* (British Columbia) and any regulation pursuant thereto and any amendments or substitutes therefore as well as any similar statute applicable in a particular circumstance and any regulation pursuant thereto adopted by the federal or any provincial government.

1.4.4. **"Beneficiary"** means the person last designated by the Member in accordance with article 1.6 to receive benefits under the Plan in the event of the death of the Member.

1.4.5. **"Board"** means the Board of Directors of the Company.

1.4.6. **"Company"** means Catalyst Paper Corporation and any successor corporation, whether by amalgamation, merger or otherwise.

In respect of time periods between December 15, 2000 and October 3, 2005, **"Company"** means Norske Skog Canada Limited.

In respect of time periods prior to December 15, 2000, **"Company"** means Fletcher Challenge Canada Limited.

1.4.7. **"Commutated Value"** means the single sum present value, determined in accordance with Applicable Pension Laws, which is Actuarially Equivalent to the retirement income benefits and other benefits to which a person may be or may have been entitled under the Plan.

1.4.8. **"Continuous Service"** means the service of a Member as defined in section 1.7.1.

1.4.9. **"Credited Service"** means the service of a Norske DB Member as described in section 2.2.1 or the service of a Pacifica DB Member as described in section 4.1.5.

1.4.10. **"Date of Determination"** means the date as of which a benefit is to be calculated under the Plan, as specified in each relevant section, and being:

- (a) a Member's Retirement Date, a Member's date of termination of employment, or a Member's date of death, whichever shall first occur
- (b) the date of amendment of the Plan;
- (c) the date of discontinuance of the Plan; and
- (d) the date of consolidation or merger of the Plan with another plan.

1.4.11. **"DB Member"** means a Member who is either a Norske DB Member or a Pacifica DB Member.

1.4.12. **"DB Pension Benefit"** or **"DB Pension Benefits"** means the benefits provided in accordance with Part 2 or Part 4 of the Plan to a DB Member.

1.4.13. **"DC Member"** means a Member who participates in the defined contribution segment of the Plan in accordance with Part 3 of the Plan.

1.4.14. **"DC Pension Benefit"** or **"DC Pension Benefits"** means the benefits provided in accordance with Part 3 of the Plan to a DC Member.

1.4.15. **"Early Retirement Date"** means, in respect of a DB Member, the first (1st) day of any month following or coincident with the DB Member having attained age fifty-five (55), having terminated employment, and provided he has requested retirement income commencement. Alternatively, a DB Member may elect that his retirement income payments will commence on the first day of any month between the first date that could have been his Early Retirement Date and his Normal Retirement Date, which date shall be his Early Retirement Date. However, the Early Retirement Date of a Norske DB Member who is a former member of the BCFP Salaried Plan and who had completed twenty (20) years of Continuous Service prior to January 1, 1989 is the first (1st) day of

any month following or coincident with the Norske DB Member having attained age fifty (50).

1.4.16. **"Early Retirement Eligibility Service"** has the same meaning as described in the Revenue Rules.

1.4.17. **"Earnings"** shall mean, all compensation of every kind and character which a Member has received or shall receive from a Participating Company as part of his regular rate or basic formula of compensation, excluding expense allowances, any amounts paid in lieu of unused 'banked vacation' or 'supplementary vacation' granted except as specified in the following paragraph, and any non-recurring or contingent compensation not regularly paid in accordance with a rate or basic formula of compensation.

In respect of Norske DB Members and DC Members only, "Earnings" shall include amounts paid in lieu of all unused 'supplementary vacation' granted under the Crown Forest Industries Limited supplementary vacation plan earned to December 31, 1979 which has not, subsequent to that date, been taken as time off or in the form of cash in lieu of time off. Such amounts paid in lieu of supplementary vacation shall be deemed to be earned in the month in which paid, but not later than the last complete month of Credited Service. Amounts paid in lieu of 'supplementary vacation' earned after December 31, 1979 will not be included as "Earnings".

In respect of Norske DB Members only, "Earnings" shall include overtime pay and commissions.

The "Earnings" of a DB Member who is employed on a part-time basis during a period, shall mean his actual compensation for the period divided by the applicable Part-Time Service Factor.

The "Earnings" of a Norske DB Member or DC Member also includes 100% of any payments received under the Participating Company's annual plan on which short term incentive awards are paid. The "Earnings" of a Pacifica DB Member also includes 50%

of any payments received under the Participating Company's annual plan on which short term incentive awards are paid. In addition, the Company may from time to time, at its sole discretion and by action of the President of the Company, designate a portion of or all of any awards or bonuses received by the Member in a Plan Year from the Company as "Earnings". For a Norske DB Member and a Pacifica DB Member, such payments shall be apportioned equally between all months of the Plan Year with respect to which Credited Service was granted. For a DC Member, such payments shall be treated for purposes of the Plan as if they were paid on the last day of the calendar month in which the payment is received by the DC Member.

The "Earnings" in any month of Credited Service during which the Member has not actually received Earnings from a Participating Company including any period during which the Member was on Parental Leave or maternity leave or was in receipt of benefits under a Participating Company's short term or long term disability plan shall be deemed to be equal to the Earnings of the Member in the month of Credited Service immediately preceding the month in which the leave or disability occurred.

The "Earnings" of a Norske DB Member or DC Member, in respect of a calendar year, during the period of continuous service from July 14, 1997 to April 20, 1998, which time period corresponds to a strike period for certain salaried employees who have previously transferred from an hourly position, shall be subject to the limits of Regulation 8507 under Revenue Rules.

The "Earnings" of a Norske DB member who is employed outside Canada and who is accruing Credited Service in accordance with paragraph 2.2.1(b)(iii), a Pacifica DB Member who is employed outside Canada and who is accruing Credited Service in accordance with paragraph 4.1.5, and a DC Member who is employed outside Canada and on whose behalf contributions are being made in accordance with section 3.2.8, for the period of time he is employed outside Canada, shall be equal to the lesser of (a) or (b), where

- (a) if the Member was employed in the U.S., equals the Member's "Earnings" during the period of employment with a subsidiary or an affiliate of the Participating Company, with an adjustment for currency exchange rate of 1.0; if the Member was employed outside Canada other than in the U.S., equals the Canadian dollar equivalent of his "Earnings"; and
- (b) equals the Member's total indexed compensation for that period as calculated in accordance with Section 8504(2) of the Income Tax Regulations.

For a DB Member who became a DC Member on January 1, 2010, Earnings on and after January 1, 2010 shall be determined as follows

- (c) the foregoing rules applicable to Norske DB Members shall apply in respect of the Member's DB Pension Benefits under Part 2 of the Plan,
- (d) the foregoing rules applicable to DC Members shall apply in respect of the contributions remittable to the Member's Account under Part 3 of the Plan, and
- (e) the foregoing rules applicable to Pacifica DB Members shall apply in respect of the Member's DB Pension Benefits under Part 4 of the Plan.

1.4.18. **"Employee"** means a person who is employed in a permanent full-time salaried position or a permanent part-time salaried position with a Participating Company, who is not represented by a union with which the Participating Company has a collective bargaining agreement, but does not include an employee on whose behalf the Participating Company contributes to another registered pension plan. "Employee" also means, with effect from the first day of the next following calendar year, any other salaried employee who has completed two consecutive calendar years of employment with a Participating Company in which the employee has earned at least 35% of the YMPE for that year. An "Employee" who qualifies as such as a result of satisfying the earnings test described in the preceding sentence shall not cease to be an "Employee" for the sole reason that his Earnings have fallen below the level necessary to become an "Employee".

Notwithstanding the preceding paragraph, "Employee" also means a person who is employed in a permanent full-time salaried position with a Participating Company, who is represented by the Office and Technical Employees Union Local No. 15 and in accordance with such union's collective bargaining agreement, is entitled to the same employee welfare benefits which are available to other salaried employees of Alberni Specialties, but does not include an employee on whose behalf the Participating Company contributes to another registered pension plan.

1.4.19. "**Fund**" means the fund established for the purpose of the Plan, the assets of which are held by a Funding Agency under a Funding Agreement, all as more fully described in section 1.9.4.

1.4.20. "**Funding Agency**" means a trust or insurance company or any combination thereof eligible under Applicable Pension Laws, designated by the Company and holding the whole or a portion of the assets of the Fund at any time pursuant to the terms of a Funding Agreement.

1.4.21. "**Funding Agreement**" means any written arrangement or agreement in force between the Company and any Funding Agency.

1.4.22. "**Income Tax Act**" means the *Income Tax Act* (Canada) and any applicable provincial income tax act, as amended from time to time, together with any relevant regulations and application rules made thereunder from time to time.

1.4.23. "**Interest**" means the amount of money credited to contributions or Commuted Values in accordance with article 1.8.

1.4.24. "**Member**" means an individual who has been enrolled in the Plan in accordance with article 1.5 and who continues to be entitled to a benefit from the Plan. Where the context requires, "Member" means a Member who is an Employee.

1.4.25. **"Normal Retirement Date"** means, in respect of a DB Member, the first (1st) day of the month next following or coincident with the day the DB Member attains age sixty-five (65), provided he has terminated employment prior to such date and has not already commenced a pension. However, the Normal Retirement Date of a Norske DB Member who is a former member of the BCFP Salaried Plan and who had completed twenty (20) years of Continuous Service prior to January 1, 1989 is the first (1st) day of any month following a coincident with the Norske DB Member having attained age sixty (60).

1.4.26. **"Norske Plan"** means the *Norske Skog Canada Limited Retirement Plan for Salaried Employees*, as it was constituted at any relevant time up to December 31, 2003. Prior to September 1, 2001, the Norske Plan was called the *Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees*.

1.4.27. **"Norske DB Member"** means a Member who was a member of the Norske Plan prior to January 1, 2004, who had prior to that time elected in accordance with the terms thereof to be a member of the defined benefit segment of the Norske Plan and to accrue DB Pension Benefits.

Effective January 1, 2010, a Norske DB Member, with the exception of a Member designated by the Company as an employee on salary continuance or working notice, as identified in section F.1 of Appendix F, shall become a DC Member in respect of Continuous Service on or after January 1, 2010 but shall continue to be a Norske DB Member in respect of benefits accrued under Part 2 of the Plan for Credited Service prior to January 1, 2010.

1.4.28. **"Pacifica"** means Pacifica Papers Inc. as it existed prior to September 1, 2001.

1.4.29. **"Pacifica DB Member"** means a member who was entitled to benefits under the Pacifica Plan immediately prior to January 1, 2004 and who became a DB Member of this Plan effective January 1, 2004 as a result of the consolidation of the provisions of the Pacifica Plan with those of the Norske Plan.

Effective January 1, 2010, a Pacifica DB Member, with the exception of a Member designated by the Company as an employee on salary continuance or working notice, as identified in section F.3 of Appendix F, shall become a DC Member in respect of Continuous Service on or after January 1, 2010 but shall continue to be a Pacifica DB Member in respect of benefits accrued under Part 4 of the Plan for Credited Service prior to January 1, 2010.

- 1.4.30. **"Pacifica Plan"** means the *Norske Skog Canada Limited Defined Benefit Retirement Plan for Former Pacifica Papers Inc. Employees*, as it was constituted at any relevant time up to December 31, 2003. Prior to September 1, 2001, the Pacifica Plan was called the *Defined Benefit Retirement Plan for Salaried Employees of Pacifica Papers Inc.*
- 1.4.31. **"Parental Leave"** means a leave of absence in accordance with section 51.1 of the *Employment Standards Act* (British Columbia).
- 1.4.32. **"Part-Time Service Factor"** means, for any segment of a Plan Year during which the Member's employment is for a number of hours which is less than the normal number of hours of work for employees of the Participating Company at that work location, the fraction which is obtained by dividing the number of hours for which the Member is paid during that segment by an amount which is the product of the normal number of hours of work in a day at that work location and the sum of the number of normal work days and statutory holidays in that segment of the Plan Year. The "Part-Time Service Factor" shall in no case be greater than 1.0.
- 1.4.33. **"Participating Company"** means the Company and any legal entity associated with the Company which has been invited by the Company to participate in the Plan in accordance with such terms as the Company shall deem reasonable and which, by appropriate action of its board of directors, has elected to make the Plan applicable to its employees and to make the required Participating Company contributions, as described in section 1.9.1.

Effective October 3, 2005, the following shall be considered Participating Companies:

- Catalyst Paper Corporation in its own capacity
- Catalyst Paper Corporation in its capacity as general and managing partner of the general partnership known as Catalyst Paper
- Catalyst Pulp and Paper Sales Inc.

1.4.34. **“Participation Date”** means, in respect of a Member, the date a Prior Plan in which the Member was an active member became a part of the Plan or another Prior Plan as specified in Appendix A.

1.4.35. **“Plan”** means the *Catalyst Paper Corporation Retirement Plan for Salaried Employees*, organized and administered in accordance with the terms of this consolidated and restated document, as amended from time to time, and where the context requires, means the arrangement organized and administered in accordance with the terms of this document. The Plan is registered under Revenue Rules under number 0212076 and under Applicable Pension Laws under number P085400.

1.4.36. **“Plan Year”** means a calendar year beginning on January 1 and ending on December 31.

1.4.37. **“Postponed Retirement Date”** means in respect of a DB Member who continues in the employ of a Participating Company beyond Normal Retirement Date, the earlier of the first (1st) day of December of the calendar year during which the DB Member attains age seventy-one (71) and the first (1st) day of the month following the DB Member's actual or deemed termination of employment.

1.4.38. **“Prior Plan”** means the

- (a) the Norske Plan;
- (b) the Pacifica Plan;
- (c) *Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees Who Are Subject to Pension Benefits Legislation*, as it was constituted on September 30, 1996;

(d) *Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees*, as it was constituted on December 30, 1988; or

(e) *Retirement Plan for Salaried Employees of British Columbia Forest Products Limited*, as it was constituted on December 30, 1988; or

of which the assets and liabilities in respect of Employees and former Employees were combined into and succeeded by the Plan.

1.4.39. **"Prior Plan Contributions"** means contributions which were made to the BCFP Salaried Plan prior to July 1, 1979.

1.4.40. **"Reciprocal Agreement"** means a written agreement between the Company and another legal entity relating to two or more registered pension plans that provides for the recognition of service and earnings with each entity for the purpose of determining benefit entitlements and which provides for the transfer between the plans of assets or liabilities in respect of periods of prior employment of individual members.

1.4.41. **"Retirement Date"** means, in respect of a DB Member, his Early, Normal, or Postponed Retirement Date or, in respect of DC Member, such DC Member's date of DC Retirement as set out in Part 3.

1.4.42. **"Retirement Plan Committee"** means the officials of the Company that have been designated and authorized by the Board to act on behalf of the Company in accordance with the provisions of section 1.14.1.

1.4.43. **"Revenue Rules"** means the provisions of the *Income Tax Act* (Canada) and any applicable provincial income tax act and any relevant regulations adopted from time to time by the Minister of National Revenue pertaining to employees' pension plans or funds registered under the *Income Tax Act* (Canada), as they are applicable to the Plan.

1.4.44. **"Spouse"** means, subject to the requirements for registration under Applicable Pension Laws and Revenue Rules, in relation to a Member, the person who, at the earlier of the

commencement of a Member's pension and the date of the Member's death, meets one of the following eligibility requirements:

- (a) a person who is married to the Member and who, if living separate and apart from the Member, has not lived separate and apart from the Member for longer than the preceding two (2) year period, or
- (b) if there is no person to whom paragraph (a) applies, a person who has lived and cohabited with such Member in a marriage-like relationship, including a marriage-like relationship between persons of the same gender, and who has lived and cohabited in that relationship for the preceding two (2) year period.

1.4.45. “YMPE” means, in respect of any Plan Year, the Year's Maximum Pensionable Earnings as defined under the *Canada Pension Plan*.

1.5. Membership

1.5.1. Members on January 1, 2004

Each individual who is an Employee on January 1, 2004 and who was a member of the Norske Plan or the Pacifica Plan immediately prior to January 1, 2004 shall be a Member of the Plan as of January 1, 2004.

1.5.2. New Members

Each individual who becomes an Employee on and after January 1, 2004 shall become a Member on the day the individual becomes an Employee, unless the Employee shall elect not to become a Member because of the Employee's religious beliefs.

Notwithstanding the preceding paragraph, the Company, by action of the President, may waive the requirement for an Employee to become a Member of the Plan if such Employee's “Pension Adjustment”, as that term is defined in Revenue Rules, for any

benefits accrued or contributions made under any other pension plan or deferred profit sharing plan of any company, is equal to the Pension Adjustment Limits, as defined in the Revenue Rules.

1.5.3. Not a Contract of Employment

Nothing herein contained shall be deemed to give any Employee the right to be retained in the service of a Participating Company or to interfere with the rights of a Participating Company to discharge or lay off any Employee at any time and to treat such Employee without regard to the effect which such treatment might have under the Plan upon such Employee.

1.5.4. No Discontinuance of Membership

A Member who is an Employee may not terminate, suspend or withdraw from participation in the Plan as long as he remains employed by a Participating Company and continues to qualify as an Employee.

1.6. Designation of Beneficiary

- 1.6.1. A Member shall designate, in writing, a Beneficiary to receive any benefits that are payable under the Plan to a Beneficiary upon the death of such Member and may change such designation from time to time. Such designation or change must be in accordance with any law applicable to the Member and shall be in such form and executed in such manner as the Company may, from time to time, determine. Any designation or change in Beneficiary must be filed with the Company. Benefits payable as a result of the death of the Member shall be paid in accordance with the most recent designation filed by the Member with the Company and, in the absence of an effective designation of a Beneficiary, the Company shall instruct the Funding Agency to make payment of any death benefits under the Plan to the estate of the Member and any such payment shall completely discharge all liability with respect to the amount paid. Any Beneficiary

designations in respect of a benefit payable under a Prior Plan, that are on record with the Company as of the date its assets and liabilities were consolidated into the Plan shall remain in effect for the purposes of the Plan until the Member changes such designation.

1.7. Continuous Service

1.7.1. Continuous Service

- (a) "Continuous Service" means the period of uninterrupted employment of a Member with a Participating Company, beginning with the date on which the Member was last hired by the Participating Company or any predecessor corporation, which may include, for the purpose of a Norske DB Member, Fletcher Challenge Canada Limited, and for the purposes of a Pacifica DB Member, Pacifica or MacMillan Bloedel Inc., and ending on the earliest of:
 - (i) the Member's no longer being employed by any Participating Company;
 - (ii) the Member's death;
 - (iii) the Member's Retirement Date;
 - (iv) the discontinuance of the Plan without immediate substitution of a successor registered employees' pension plan.
- (b) The following shall not constitute interruption of employment, unless and until the Member fails to return to active employment upon expiry of the period concerned:
 - (i) leave of absence duly authorized by a Participating Company, including Parental Leave, maternity leave, leave on account of sickness or accident, and any paid leave of absence;

- (ii) disability qualifying for benefits under a Participating Company's disability plan or under the Workers' Compensation Act within the 12 month period from the date of injury;
- (iii) temporary suspension of employment, provided that the Member does not elect to receive termination benefits in accordance with article 2.9, 3.6 or 4.8 and provided that the temporary suspension of employment does not exceed two (2) years;
- (iv) in the event of a national emergency, the Member's joining the armed forces or engaging full-time in national service work.

1.7.2. Transfer of Employment

- (a) The transfer of a Member within a Participating Company or to another Participating Company to a category of employment such that the Member ceases to be an Employee for the purposes of the Plan or the transfer of a Member to a legal entity which is associated with a Participating Company which does not itself participate in the Plan, shall not constitute a termination of employment for the purposes of article 2.9, 3.6 or 4.8. In the event of such transfer, the Member's:
 - (i) Continuous Service shall include all periods of uninterrupted employment of the Member with a Participating Company or an associated company; and
 - (ii) Credited Service, if applicable, shall exclude those periods of his employment with a Participating Company or an associated company while the Member was not an Employee; and
 - (iii) Earnings shall exclude earnings with a Participating Company or an associated company while the Member was not an Employee.

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- (b) The transfer of a Member from one Participating Company to another Participating Company such that the Member still remains an Employee for the purposes of the Plan shall not constitute a termination of employment for the purposes of article 2.9, 3.6 or 4.8 and such person will continue to be a Member of the Plan and to accrue Continuous Service and Credited Service, if applicable, without interruption.
 - (c) If a Member transfers within a Participating Company or from another Participating Company to a category of employment such that the Member becomes an Employee for the purposes of the Plan or if a Member transfers from a legal entity which is associated with a Participating Company but which does not itself participate in the Plan, then the Member's:
 - (i) Continuous Service shall include all periods of uninterrupted employment of the Member with a Participating Company or an associated company; and
 - (ii) Credited Service, if applicable, shall exclude those periods of his employment with a Participating Company or an associated company while the Member was not an Employee; and
 - (iii) Earnings for the purposes of the Plan shall exclude earnings with a Participating Company or an associated company while the Member was not an Employee.
 - (d) If a Member transfers on a temporary basis to employment with a non-Canadian employer affiliated with the Company, then, subject to the approval of the Canada Revenue Agency,
 - (i) Continuous Service shall include all periods of uninterrupted employment of the Member with the affiliated foreign employer to a maximum of five years; and

- (ii) Credited Service, if applicable shall include those periods of his employment with the affiliated foreign employer to a maximum of five years; and
- (iii) Earnings for the purposes of the Plan shall be determined in accordance with section 1.4.17.

1.7.3. Reemployment

- (a) In the event that a Member of the Plan or a Prior Plan, who has terminated employment with a Participating Company and has not commenced receiving retirement income is subsequently employed with the same or a different Participating Company, his periods of Continuous Service shall be treated separately, and the second period shall be considered to start from the date of said subsequent employment for the purposes of the Plan. The Employee shall become a DC Member regardless of in which Plan or Prior Plan or part of the Plan or a Prior Plan the Employee had participated during his prior period of employment.
- (b) In the event that an Employee retires on his Retirement Date and is subsequently reemployed with a Participating Company, the Employee shall continue to receive his retirement income and shall not accrue further Continuous Service or Credited Service, if applicable.

1.8. Interest Credits

1.8.1. Interest on Prior Plan Contributions

Interest on Prior Plan Contributions, compounded annually, shall be calculated:

- (a) at the end of each Plan Year, on the balance of contributions at the beginning of the Plan Year and contributions made in the Plan Year, at the rate of interest specified in the applicable group annuity policy, but not less than the rate equal

to the average of the yields of five year personal fixed term chartered bank deposits (CANSIM Series B 14045 or any successor series) for that Plan Year.

- (b) at the end of the month in which the DB Member separates from Continuous Service, on the balance of contributions at the beginning of the Plan Year, and the balance of contributions made during the Plan Year, the appropriate pro-rata portion of the rate equal to the average of the yields of five year personal fixed term chartered bank deposits (CANSIM Series B 14045) for the preceding calendar year for the portion of the Plan Year before the DB Member separates from Continuous Service.

1.8.2. Interest on DB Member Contributions

Interest on DB Member contributions made in accordance with Part 2 or 4, or made to the Norske Plan or Pacifica Plan prior to January 1, 2004, compounded annually, shall be calculated:

- (a) at the end of each Plan Year, on the balance of contributions at the beginning of the Plan Year and contributions made in the Plan Year, at a rate equal to the average of the yields of five year personal fixed term chartered bank deposits (CANSIM Series B 14045 or any successor series) for that Plan Year
- (b) at the end of the month in which the DB Member separates from Continuous Service, on the balance of contributions at the beginning of the Plan Year, and the balance of contributions made during the Plan Year, the appropriate pro-rata portion of the rate equal to the average of the yields of five year personal fixed term chartered bank deposits (CANSIM Series B 14045) for the preceding calendar year for the portion of the Plan Year before the DB Member separates from Continuous Service.

1.8.3. Interest Credited to Commuted Value

Interest shall be credited to the Commuted Value payable to a Member from the end of the month in which the Commuted Value is payable to the beginning of the month in which the Commuted Value is paid. The rate of Interest credited shall be determined by the Company from time to time in accordance with Applicable Pension Laws.

1.9. Funding

1.9.1. Company Contributions

Subject to any agreement between the Company and another Participating Company, each Participating Company will contribute to the Fund each Plan Year such amounts, if any, which, when added to the amounts which have been accumulated in the Fund, are estimated by the Actuary to be adequate to provide for the Plan benefits accruing in that Plan Year and to fund, in accordance with Applicable Pension Laws, any unfunded actuarial liability which may exist under the Plan. Such amounts will be determined in accordance with and paid at such times as are required under Applicable Pension Laws as amended from time to time. The liability of any Participating Company under the Plan will at any time be limited to such contributions as should have theretofore been made by it, subject to Applicable Pension Laws. If, 60 days following the prescribed period allowed for remitting contributions, the Participating Company has failed to remit contributions, the Retirement Plan Committee must notify the superintendent, in writing and within 30 days, respecting the failure to remit contributions, whether or not the contributions are subsequently remitted.

Subject to Applicable Pension Laws, the contributions which are required to be made by any Participating Company to provide for Plan benefits accruing by DC Members under Part 3 of the Plan for a period of time may be made from existing amounts accumulated in the Fund, provided that the Actuary has certified that there are sufficient assets accumulated in the Fund to provide for the contributions required under Part 3 for the

applicable period, without introducing an unfunded liability, as that term is defined in Applicable Pension Laws, into the Fund. Subject to Applicable Pension Laws, the liability of any Participating Company under the Plan will at any time be limited to such contributions as should have theretofore been made by it to the Fund.

1.9.2. Deemed Trust

The Company and every other Participating Company must keep separate and apart from its own assets all contributions due or owing to the Plan. These contributions are deemed to be held in trust for Members and any other persons entitled to pension benefits, refunds or other payments under the Plan. Where a proceeding exists in respect of the Company or a Participating Company under the *Companies' Creditors Arrangement Act* (Canada), *Winding-up and Restructuring Act* (Canada) or similar provincial legislation or in relation to liquidation, receivership or secured creditor enforcement, or insolvency other than under the *Bankruptcy and Insolvency Act* (Canada), these amounts are deemed to be separate and apart and form no part of the estate of the Company or other Participating Company.

1.9.3. Excess Contributions

In the event that a Member or a Participating Company makes a contribution to the Plan which would cause the revocation of the Plan's registration under Revenue Rules then such contributions shall be returned to the Member or Participating Company, as applicable.

1.9.4. The Fund

- (a) The retirement income and other benefits provided under the Plan, shall be financed by a Fund established for the purposes of the Plan under which all contributions and earnings thereon are held to pay such retirement income, other benefits and expenses.

- (b) The Company shall be responsible for the selection of a Funding Agency. The Fund (or a portion thereof) shall be maintained and administered by a Funding Agency in accordance with the terms of the Funding Agreement entered into between the Company and such Funding Agency. The Company may further appoint an organization licensed to provide investment management services, to manage the investment of any portion of the Fund. The Company may replace any Funding Agency or investment manager at any time, in accordance with the terms of any applicable agreement or contract.
- (c) Subject to Applicable Pension Laws, the retirement income and other benefits provided under the Plan shall only be paid to the extent that they are provided for by the assets held in the Fund and no liability or obligation to make any contributions thereto or otherwise shall be imposed upon a Funding Agency or a Participating Company other than in accordance with section 1.9.1.
- (d) Fees of a Funding Agency, fees of an investment manager, investment brokerage, transfer taxes and similar costs arising as a result of the making of investments, sale of assets or realization of investment yield, and the administration expenses reasonably incurred or compensation properly paid in respect of the Plan, shall be paid by the Company in cash or from the Fund, as determined by the Company.
- (e) Retirement income payments under the Plan may be paid directly from the Fund for DB Members. For greater certainty, distribution of a DC Members' Account shall be made in accordance with the terms of Part 3. An annuity which is purchased from an insurance company licensed to transact business in Canada, that is acquired to create, establish, distinguish or be in substitution for amounts payable under the Plan shall fully discharge the Participating Company from its obligations under the Plan. Upon the purchase of such a contract, the liability for such obligation shall cease to be a liability of the Plan and the Fund.

- (f) The Funding Agreement is ancillary to the Plan and is intended to receive contributions made to the Plan and to give effect to the provisions of the Plan relating to the safekeeping and investment of the assets of the Fund and to facilitate the payment of the benefits and other payments properly made under the Plan, in accordance with Applicable Pension Laws and Revenue Rules, and not to create rights to payments from the Fund that are in addition to those payments expressly provided under the Plan. In the case of conflict between the provisions of the Plan and those of the Funding Agreement, the provisions of the Plan shall govern.

1.9.5. Investments

- (a) The investment of the Fund shall be in accordance with Revenue Rules and Applicable Pension Laws and in the best financial interests of the Members and other Plan beneficiaries.
- (b) Plan assets shall be invested in a manner that a reasonable and prudent person would apply in respect of a portfolio of investments made on behalf of another person to whom there is owed a fiduciary duty to make investments without undue risk of loss and with a reasonable expectation of a return on the investments commensurate with the risk.
- (c) The Company shall establish a written statement of investment policies and procedures for the Plan.
- (d) Plan assets shall be held and invested in the name of the Plan or in the name of the Funding Agency in accordance with the Funding Agreement that clearly indicates that the investments are held for the benefit of the Plan.

1.9.6. Borrowing

Neither the Company nor a Funding Agency shall borrow money for the purposes of the Plan except as allowed under Applicable Pension Laws and Revenue Rules and unless

- (a) the borrowing is for a term not exceeding 90 days and it is established that the borrowing is not part of a series of loans or other transactions and repayments, and
- (b) none of the assets held in connection with the Plan are pledged as security for the borrowed money (except where the borrowing is necessary to provide funds for the current payment of benefits or the purchase of annuities under the Plan without resort to a distressed sale of the assets held in connection with the Plan), and,

for the purposes of this section, the Funding Agency shall not be considered to borrow money where, as a consequence of the acquisition of real property that may reasonably be considered to be held for the purpose of producing income from the property, the Funding Agency becomes liable to pay amounts (otherwise than as, or on account of, interest),

- (c) the aggregate of which does not exceed the cost amount of the real property, and
- (d) the liability for which is secured by a mortgage or hypothec on the real property.

1.9.7. Claims on the Fund

No Member or any person claiming through a Member shall have any right to, or any interest in, any part of the Fund except to the extent specifically provided from time to time under the Plan, a Funding Agreement or Applicable Pension Laws, and any Member or other person having any claim through the Member shall have recourse solely to the Fund for payment of any benefits hereunder. Under no circumstances shall any liability

attach to a Participating Company or Funding Agency, or any director, officer or employee of a Participating Company for payment of any benefits or claims hereunder.

1.10. Transfers

1.10.1. Transfer from Registered Plan of Previous Employer

Where a Reciprocal Agreement exists between the Company and the previous employer of a Member, the Company will accept deposits into the Fund in respect of an Employee by way of transfer from the previous employer's registered employee pension plan. Amounts so transferred will be accepted in accordance with the terms of the Reciprocal Agreement.

1.10.2. Transfer to Other Registered Plan

Subject to Applicable Pension Laws, if a Reciprocal Agreement exists between the Company and a subsequent employer of a Member, transfer payments may be made into the fund of the subsequent employer's registered pension plan. The amount of such transfer shall be determined in accordance with the terms of the Reciprocal Agreement but the total amount transferred shall not be less than the amount due to the Member in accordance with article 2.9, 3.6 or 4.8.

1.10.3. Transfers of Members To or From Another Plan

The Company may, by appropriate resolution of the Board of Directors, transfer assets and liabilities from the Plan in respect of a group of Members to another pension plan of the Company, which is registered under the *Income Tax Act* (Canada), subject to Applicable Pension Laws. The amount of assets to be transferred in respect of a group of Members shall be determined by the Company on the advice of the Actuary, subject to the approval of any relevant regulatory authority.

The Company may, by appropriate resolution of the Board of Directors, arrange for the transfer to the Plan of assets and liabilities of another pension plan of the Company, registered under the *Income Tax Act* (Canada), in respect of a group of employees of the Company, who subsequent to the transfer, qualify as Members of the Plan, subject to any Applicable Pension Laws and Revenue Rules. Before the transfer takes place, the amount of assets to be transferred to the Fund shall be approved by the Company, on the advice of the Actuary, by any other relevant regulatory authority and by Revenue Canada.

1.10.4. Transfer of Commuted Value from Other Registered Plan

A Member of Part 4 of the Plan may, with the prior written consent of the Company, transfer the commuted value of benefits accrued under a registered pension plan of a previous employer to the Fund, subject to Applicable Pension Laws and Revenue Rules.

A Member who transfers assets to the Fund in accordance with this Section 1.10.4 shall receive benefits payable under the terms of Part 4 of the Plan, as determined by the Company on the advice of the Actuary, in respect of the period of pensionable service accrued under the registered pension plan of the previous employer.

Where benefits granted pursuant to this Section 1.10.4 would result in a certifiable past service pension adjustment in respect of a Member, the grant shall not apply to the Member prior to certification of the past service pension adjustment in accordance with Revenue Rules.

1.11. Protection of Benefits

1.11.1. Non-Assignability of Benefits

Except as permitted under section 1.11.2, and subject to Applicable Pension Laws and the portability and commutation provisions of any other provision of the Plan, no benefit, right or interest provided under the Plan shall be;

- (a) capable of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, seizure, attachment or other legal or equitable process; and
- (b) capable of being given as security or surrendered;

and, for the purposes of this section:

- (c) assignment does not include assignment by the legal representative of a deceased individual on the distribution of the individual's estate; and
- (d) surrender does not include a reduction in benefits to avoid the revocation of the registration of the Plan under Revenue Rules.

1.11.2. Support and Division of Property on Marriage Breakdown

- (a) Subject to Applicable Pension Laws and pursuant to a written agreement, decree, order or judgment of a competent tribunal, a benefit payable under the Plan may be subject to execution, seizure or attachment in satisfaction of an order for support or maintenance or may be assigned, pledged, charged, encumbered or alienated to satisfy a division of matrimonial property.
- (b) The determination of the benefit payable to a person under paragraph (a) shall be subject to Applicable Pension Laws and Revenue Rules.

- (c) The Member's benefit entitlements shall be reduced to account for the value of any settlement made under paragraph (a). Such reduction shall be determined in accordance with Applicable Pension Laws and Revenue Rules.

1.11.3. Facility of Payment

If the Company receives evidence which in its absolute discretion is satisfactory to it that

- (a) a person entitled to receive any payment provided for in the Plan is physically or mentally incompetent to receive such payment and to give a valid release therefore,
- (b) another person or an institution is then maintaining or has custody of such payee, and
- (c) no guardian, committee or other representative of the estate of such payee shall have been duly appointed,

then the Company may direct the payment to such other person or institution, and such payment shall be a valid and complete discharge to the Plan for the payment.

In the absence of the appointment of a legal guardian, any benefit payable to a minor may be paid to such adult or adults as have, in the absolute discretion of the Company, assumed the custody and principal financial support of such minor.

1.12. Amendment or Discontinuance

1.12.1. Amendment

The Company expects to continue the Plan indefinitely, but nevertheless reserves the right to

- (a) amend the Plan,
- (b) terminate the Plan, or
- (c) merge or consolidate the Plan with any other registered pension plan adopted by the Board,

provided that no such action shall adversely affect any benefit accrued immediately prior to the time such action is taken, except as provided in section 1.12.2. The accrued benefits will be computed using as the applicable Date of Determination, the earliest of the date the Member ceases to accrue Continuous Service and the date of the amendment, termination, merger or consolidation of the Plan, as applicable.

Any amendment to the benefit formulae in article 2.4 or 4.6, the contribution rate in article 3.2 or to this section 1.12.1 of the Plan shall be made by the adoption of a resolution by the Board.

Any other amendment of the Plan shall be made by:

- (c) the adoption of a resolution by the Board, or
- (d) the execution of a certificate of amendment by two officers of the Company who are also members of the Retirement Plan Committee, following unanimous prior approval of the wording of the amended terms of the Plan at a meeting of the members of the Retirement Plan Committee.

A copy of each amendment shall be provided forthwith to each of the Participating Companies.

1.12.2. Amendment Required to Maintain Registration

Notwithstanding any other provisions of the Plan, the Company shall amend the Plan as is necessary to maintain the registration of the Plan under Applicable Pension Laws and Revenue Rules. Section 1.12.1 shall not restrict the Company's ability to amend the Plan, including an amendment providing for benefits to be reduced when the purpose of the amendment is to maintain such registration of the Plan. Any such amendment shall be subject to conditions or approval procedures under Applicable Pension Laws and Revenue Rules.

1.12.3. Effective Date of Amendment

An amendment to the Plan which creates additional benefits and which must be certified by the Minister of National Revenue in accordance with Revenue Rules, shall not be effective in respect of a Member until such certification has been received for that Member and such additional benefits will not be paid as a result of that amendment prior to certification. The Company shall apply for such certification before a Participating Company makes any contributions to the Plan in respect of such amendment.

1.12.4. Discontinuance

Subject to Applicable Pension Laws, if the Plan is discontinued at any time in whole or in part, all benefits accrued under the Plan shall be one hundred percent (100%) vested. Accrued benefits will be computed using the date the Member ceases to accrue Continuous Service as the applicable Date of Determination. Upon a complete discontinuance of the Plan, the assets of the Fund shall be allocated to provide to the extent of said assets the benefits then accrued under the Plan. Such allocation shall be made in accordance with the following distribution schedule, subject to Applicable Pension Laws:

- a) First, provision of the value of accumulated Prior Plan Contributions, accumulated DB Member contributions, made in accordance with article 2.3,

and accumulated Pacifica DB contributions, made in accordance with article 4.5.

- b) Second, to the extent not provided in the preceding subparagraph 1.12.4(a), provision of the accrued retirement income benefits in respect of which no unfunded liability was established, or if an unfunded liability was established, the liability has been amortized at the date of discontinuance of the Plan.
- c) Third, to the extent not provided in the preceding subparagraphs 1.12.4(a) and 1.12.4(b), provision of all other accrued retirement income benefits in respect of which an unfunded liability or solvency deficiency was established but is not yet fully amortized as of the date of discontinuance of the Plan.

If, after having provided in full for the accrued benefits with higher priority, the residual funds are not sufficient to provide in full for the accrued benefits included in the following priority category, funds shall be allocated in the following priority category in proportion to the present value, as of the effective date of discontinuance of the Plan, of the accrued benefits in such following priority category.

If Applicable Pension Laws require the Company to make contributions to the Plan in accordance with section 1.12.5 after the Plan is terminated but prior to the windup of the Fund, such additional funding shall be applied in accordance with Applicable Pension Laws to provide additional payments to those members referred to above for whom there were insufficient funds to provide the full benefits under the Plan.

1.12.5. Solvency Deficiency Contributions

In the event the Plan shall be discontinued at any time either in whole, or in part with respect to a specified group of Members only, the Company shall contribute, subject to section 1.9.1, such amounts that would otherwise have been required to meet the tests and

standards for solvency, as prescribed by the Applicable Pension Laws, to fund the benefits that have accrued to the date of such discontinuance or partial discontinuance.

1.12.6. Settlement on Discontinuance of Plan

For the purposes of section 1.12.4, provision for accrued benefits means payment to or for the Member in the form of cash, the purchase of annuity contracts, transfers to locked-in vehicles or a combination thereof as elected by the Member, or where necessary, at the discretion of the Company and as permitted under Applicable Pension Laws and Revenue Rules.

Where a Member is entitled to make an election in accordance with the requirements of this section 1.12.6 or under Applicable Pension Laws, such election must be made within ninety (90) days of notification; if a valid election in an approved form is not received by the Company within the ninety (90) day period, the Company shall purchase an immediate or deferred annuity, as the case may be, for the Member or shall provide the benefit in such other form as the Company shall consider equitable, and which is acceptable under Applicable Pension Laws.

1.12.7. Surplus upon Termination

Subject to terms of participation by Participating Companies, upon discontinuance of the Plan, any funds which remain in the Fund after satisfaction of all liabilities chargeable to the Fund in accordance with the Plan with respect to Members, retired Members, contingent annuitants, terminated vested Members, Spouses and Beneficiaries under the Plan and which are due to erroneous actuarial calculations shall be returned to the Company subject to Revenue Rules and Applicable Pension Laws.

1.12.8. Delegation of Authority

The Company may, by resolution of its Board, at any time and from time to time delegate any or all of the powers, duties, discretions and functions which are by the terms hereof reserved to or imposed upon the Company, its Board or the Retirement Plan Committee, including, without limitation, the power to amend the Plan, to an affiliate of the Company or to the board of directors or Retirement Committee of an affiliate (or to any committee or other body constituted by such affiliate which discharges functions similar to those of the Retirement Plan Committee hereunder) for such period of time as the Board by such resolution determines. Any such resolution may be rescinded by further resolution of the Board, provided that any such rescission shall not take effect until at least twelve (12) months' written notice thereof has been given by the Company to such affiliate. For the purposes of this section and section 1.12.9, "affiliate" shall have the same meaning as in the *Business Corporations Act* (British Columbia).

1.12.9. Interpretation of Terms

To the extent that the powers, duties, discretions and functions, which are by the terms hereof reserved to or imposed upon the Company, its Board or the Retirement Plan Committee, have been delegated pursuant to section 1.12.8, the references in this Plan to the "Company", the "Board", the "Retirement Plan Committee" or to any officer of the Company shall, in relation to the powers, duties, discretions and functions so delegated, be interpreted as references to the appropriate body or officer of the affiliate to which such delegation has been made.

1.13. Disclosure

1.13.1. Plan Explanation

Upon employment of an Employee, the Participating Company shall provide to such Employee a written description of the Plan, within the period prescribed by Applicable

Pension Laws. Such description shall explain the terms and conditions of the Plan and amendments thereto applicable to the Employee and the rights and obligations of the Employee in respect of the Plan.

Except as required by Applicable Pension Laws, a Participating Company shall provide a written explanation of an amendment to each Employee affected by the amendment not later than sixty (60) days after registration of any amendment to the Plan.

1.13.2. Inspection

- (a) The Participating Company shall permit a Member or such person as is required to be permitted under Applicable Pension Laws to inspect, or make extracts from or to copy, the Plan text and any other documents required to be made available under Applicable Pension Laws at such times and places as may be required by Applicable Pension Laws.
- (b) To the extent required by Applicable Pension Laws, the Participating Company shall provide, on request, a Member, or such person as is required to be permitted under Applicable Pension Laws, with copies of any of the documents required to be made available under Applicable Pension Laws upon payment to the Participating Company of a reasonable fee.

1.13.3. Benefits Statement

- (a) Within the period prescribed by Applicable Pension Laws, the Company shall provide to each Member a written statement describing the benefits the Member has earned to date and such other information as required under Applicable Pension Laws.
- (b) Upon cessation of employment of a Member or upon termination of the Member's active membership in the Plan, the Company shall provide to the

Member (of the person entitled to benefits in the event of the Member's death) within the period prescribed by Applicable Pension Laws, a written statement of the benefits and options to which the Member is entitled.

1.13.4. Other Information

The Company shall provide such other information regarding the Plan, statistical or otherwise, as is required under Applicable Pension Laws and Revenue Rules.

1.13.5. Limitation

Such explanation, benefits statement or right of disclosure of the Plan text, and any other documents provided, shall have no effect on the rights or obligations of any person under the Plan, and shall not be referred to in interpreting or giving effect to the provisions of the Plan. Neither the Company nor any other Participating Company, the Retirement Plan Committee nor any employee, officer or director of the Company or other Participating Company who is involved in the administration of the Plan shall be liable for any loss or damage claimed by any person to have been caused by any error or omission in such explanation, statement or other information.

1.14. Administration

1.14.1. Establishment of Retirement Plan Committee

The Plan shall be administered by the Company. To facilitate any action required to be taken by the Company under the provisions of the Plan, the Board has established the Retirement Plan Committee to act on behalf of the Company.

1.14.2. Administrative Functions

- (a) The Retirement Plan Committee shall:

- (i) monitor the administration of the Plan to ensure compliance with its terms and conditions and all Applicable Pension Laws and Revenue Rules;
 - (ii) receive and review financial, actuarial, and other reports that have been prepared pertaining to the Plan;
 - (iii) make recommendations to the Board with respect to the administration and funding of the Plan;
 - (iv) promote awareness and understanding of the Plan among Members and Employees; and
 - (v) carry out such other tasks relating to the Plan operations as may be delegated to it by the Company from time to time.
- (b) Subject to the other provisions of this article, the Retirement Plan Committee may make rules for the administration of the Plan and for the conduct of the affairs of the Retirement Plan Committee and without limiting the generality of the foregoing, the Retirement Plan Committee may make rules:
- (i) approving forms and providing for their use;
 - (ii) prescribing the information to be submitted as a condition of payment of benefits under the Plan; and
 - (iii) approving disclosure material to be given to Members.

1.14.3. Indemnification

The Company shall indemnify and save harmless the members of the Retirement Plan Committee and any other employees who are involved in the administration of the Plan from the effects and consequences of their acts, omissions and conduct in their formal capacity to the extent permitted by law except for their own wilful and intentional malfeasance or misconduct. No part of the Fund shall be used for indemnification payments.

1.14.4. Reliance on Experts

The Company and members of the Retirement Plan Committee shall be entitled to rely conclusively upon all tables, valuations, certifications, opinions and reports furnished by an Actuary, accountant, legal counsel or other professional person who shall be employed or engaged for such purposes.

1.14.5. Company Records

Whenever the records of a Participating Company are used for the purposes of the Plan, such records shall be conclusive of the facts with which they are concerned.

1.14.6. Completion of Forms

To be eligible for benefits hereunder, an Employee, a Member, a Beneficiary or a Spouse shall sign such forms prescribed by the Retirement Plan Committee and furnish proof of age and furnish such other data and sign such documents as the Retirement Plan Committee deems necessary or desirable for the proper administration of the Plan or to evidence initial or continued eligibility for a benefit hereunder.

1.14.7. Information to be Provided before Company Pays Benefits

Payment of benefits shall not be made until the person entitled to payment of the benefit delivers to the Company satisfactory proof of age of the person or persons who may become entitled to payment of the benefit and such other information as may be required to calculate, pay or continue payment of the benefit.

1.14.8. No Personal Liability

Subject to Applicable Pension Laws, neither the Company, the other Participating Companies, nor any member of the Retirement Plan Committee, nor any director, officer or other employee of the Company or other Participating Company shall be liable to any person whatsoever for anything done or omitted to be done in respect of the administration of the Plan, except where the act or omission was fraudulent or in bad faith on the part of the person against whom a claim is made.

1.14.9. Advisory Committee

An advisory committee shall be established when required in accordance with Applicable Pension Laws.

1.15. Arbitration

1.15.1. Special Arbitration Provisions

Notwithstanding any other provisions of the Plan, the following special provisions apply to the arbitration of disputes:

- (a) All disputes among parties (in accordance with Applicable Pension Laws) to the Plan which Applicable Pension Laws require be settled by arbitration (and no other manner of disputes) shall be finally and conclusively settled by arbitration under the *Commercial Arbitration Act* (B.C.) and the Rules of the British

Columbia International Commercial Arbitration Centre (BCICAC) for the conduct of domestic commercial arbitrations (the "Rules"), each as are in force at the time the dispute arises, except as otherwise provided herein or as is required by Applicable Pension Laws. If there is any inconsistency between the *Commercial Arbitration Act* (B.C.) or the Rules and this section 1.15.1 or the Applicable Pension Laws, then to the extent permitted by law this section 1.15.1 or the Applicable Pension Laws, as the case may be, shall prevail. Any case so arbitrated shall be administered by the BCICAC in accordance with the Rules. The place of arbitration shall be Vancouver, B.C.

- (b) A party to the dispute may commence an arbitration of the dispute by notifying the other party to the dispute in writing within 60 days after receiving adequate notice of intent of the event which gave rise to the dispute of its desire to submit the dispute to arbitration and:
 - (i) the parties to the dispute shall agree on a single arbitrator. The arbitrator selected shall be an active member of the Law Society of British Columbia or an Actuary who by virtue of his or her experience and training can reasonably be considered an expert in pension law matters;
 - (ii) the arbitrator selected shall hear and determine the dispute as provided in this section; and
 - (iii) the arbitrator shall issue a written decision which shall be final and binding to the extent permitted by law on the parties to the dispute and any other person affected by it.
- (c) If a party fails to give written notice in accordance with subsection (b) within the 60 day period specified therein, that party shall be thereafter precluded from commencing an arbitration of the matter in issue.

- (d) If the parties cannot agree on the single arbitrator within thirty (30) days after the arbitration has commenced, a party to the dispute may ask the BCICAC to appoint an arbitrator.
- (e) In no event shall any portion of the costs of an arbitration under this section ever be paid out of the Fund. All costs of an arbitration under this section must be paid by the parties to the dispute being arbitrated in such amount and proportions as the arbitrator may determine.
- (f) In arbitrating a dispute under this section an arbitrator shall have regard to such principles as is required by law and shall also consider the following factors:
 - (i) the non-contributory nature of the Plan and Prior Plans;
 - (ii) the funding risks assumed by the parties in the past; and
 - (iii) the reliance placed by the parties on legal precedent in structuring the Plan.

Part 2 Defined Benefit (Norske DB Provisions)

The provisions of this Part 2 shall apply only to Employees on or after January 1, 2004 who were DB Members of the Norske Plan as of December 31, 2003, immediately prior to the consolidation of the Norske Plan and the Pacifica Plan. To avoid confusion with Pacifica DB Members, to whom Part 4 of the Plan applies, the individuals who were DB Members of the Norske Plan on December 31, 2003, who are still Employees as of January 1, 2004 shall be known as Norske DB Members and this Part 2 shall apply to them.

Benefits in respect of a DB Member of the Norske Plan whose employment ceased prior to January 1, 2004 shall be determined in accordance with the Norske Plan as such was constituted at the time of such cessation of employment, except as may be specifically provided herein. Supplemental pensions or enhancements granted to retirement incomes in pay prior to January 1, 2004 shall be paid in accordance with the terms of the Plan in effect when such supplemental pensions were effective. Supplemental pensions or enhancements granted to retirement incomes in pay on or after January 1, 2004 shall be set out herein.

Pension Benefits payable in respect of a Norske DB Member who ceases accrual of Continuous Service on or after January 1, 2010 other than a Member whose name appears on Appendix F, shall be payable no sooner than the date that benefits are payable under Part 3 of the Plan.

2.1. Definitions

- 2.1.1. **“BCFP Pre-eligibility Service”** means the period of service, expressed in years and days, of an Employee in a salaried position prior to becoming eligible to join the Norske Plan or the BCFP Salaried Plan, but not including any period which qualifies as Negotiated Plan Past Service.

- 2.1.2. **"BCFP Salaried Plan"** means the Retirement Plan for Salaried Employees of British Columbia Forest Products Limited which was registered under Revenue Rules under number 0376434.
- 2.1.3. **"BCFP Service"** means service, expressed in years and days, prior to January 1, 1989 during which an Employee was a member of the BCFP Salaried Plan.
- 2.1.4. **"Best Average Earnings"** means the annual average of a Norske DB Member's highest paid sixty (60) consecutive complete months of Earnings within the last one hundred twenty (120) months of Credited Service, or where the Norske DB Member's Credited Service is less than sixty (60) complete months, the annual average of the Norske DB Member's Earnings during all complete months of Credited Service. For greater clarity, the month of Credited Service which precedes and the month of Credited Service which follows any months which do not count as Credited Service shall be treated for the purposes of the Plan as being consecutive. Despite sections 2.16 and 2.2.1, for the purposes of this definition of "Best Average Earnings", "Credited Service" shall include "Contributory Credited Service" and "DC Credited Service".
- The determination of "Best Average Earnings" shall also include recognition of Earnings in any period during which the Norske DB Member was not an Employee, but was employed in a full-time hourly-paid position with a Participating Company and was represented by a union with which the Participating Company had a collective bargaining agreement.
- 2.1.5. **"Contributory Credited Service"** means the total of a Norske DB Member's Continuous Service, on or after January 1, 2002 for which he or she elected to participate in the Contributory Option in accordance with section 2.2.4 and Appendix B, excluding DC Credited Service.
- 2.1.6. **"Credited Service"** means the service of a Norske DB Member as defined in section 2.2.1, including

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- (a) **"Credited Past Service"** means the portion of Credited Service prior to the Participation Date applicable to the Norske DB Member, as defined in section 2.2.1.
- (b) **"Credited Future Service"** means the portion of Credited Service on and after the Participation Date applicable to the Norske DB Member, as defined in section 2.2.1, excluding Contributory Credited Service and excluding DC Credited Service.
- 2.1.7. **"Crown Forest Salaried Plan"** means the Crown Forest Industries Limited Retirement Plan for Salaried Employees, which was registered with the Alberta Employment Pensions Branch under number C-1187 and under Revenue Rules under number 0212076, as it was constituted on September 1, 1988.
- 2.1.8. **"Crown Forest Service"** means service, expressed in years and days, prior to January 1, 1989 for which benefit credit was provided under the terms of the Norske Plan as they existed on December 31, 1988 including, in the case of a Member who became a Member prior to January 1, 1989, service prior to January 1, 1989 for which credited service is provided under a Negotiated Plan.
- 2.1.9. **"DC Credited Service"** means, for a Member who was a Norske DB Member on December 31, 2009, the Member's Continuous Service, on or after January 1, 2010, during which he or she participated as a DC Member under Part 3 of the Plan.
- 2.1.10. **"Negotiated Plan"** means any pension plan that provides pension benefits established under the terms of a collective agreement negotiated with the Participating Company, or with an association of employers to which the Participating Company belongs.
- 2.1.11. **"Negotiated Plan Future Service"** means the sum of (i) and (ii) as follows:

- (i) Continuous Service on and after January 1, 1989 with the Company or, in the case of a Member who becomes a Member on or after September 1, 2001, with Pacifica, for which credited service is provided under a Negotiated Plan
- (ii) for a Member who was an employee of the Participating Company and who was a member of the Negotiated Plan on July 14, 1997, the period of Continuous Service from July 14, 1997 to April 20, 1998 which time period corresponds to a strike period for which credited service is not provided under the Negotiated Plan.

2.1.12. **“Negotiated Plan Past Service”** means Continuous Service prior to January 1, 1989 with British Columbia Forest Products Limited or Crofttech Inc. or Western Forest Products Ltd. or Grand Cache Forest Products Ltd. or Swiftsure Towing Company Ltd. or, in the case of a Member who becomes a Member on or after January 1, 1989, with Crown Forest Industries Limited, or in the case of a Member who becomes a Member on or after September 1, 2001, with Pacifica, for which credited service is provided under a Negotiated Plan.

2.1.13. **“YMPE Average”** means the annual average of the YMPE over the same period of Credited Service as is used in the determination of Best Average Earnings.

2.2. Credited Service

2.2.1. Credited Service

“Credited Service” with respect to a Norske DB Member means the sum of his Credited Past Service and Credited Future Service, where:

- (a) “Credited Past Service” means, for the period prior to January 1, 1989, BCFP Service, Crown Forest Service, and any other period of Continuous Service of a Norske DB Member as specified in Appendix A.

- (b) "Credited Future Service" means,
- (i) for a Norske DB Member who joined the Norske Plan not later than January 1, 1989 or on his date of employment, if later, the period of Continuous Service, expressed in years and days, since the later of January 1, 1989 or the date of employment or most recent date of transfer, but Credited Future Service shall not include any period of unpaid leave of absence, except on account of Parental Leave, maternity leave, sickness, accident, disability leave or leave while receiving workers compensation benefits, nor shall it include a period of temporary suspension of employment.
 - (ii) for a Norske DB Member who joined the Norske Plan after having been a member of a Prior Plan other than the BCFP Salaried Plan or the Crown Forest Salaried Plan, the period of Continuous Service, expressed in years and days, since the Participation Date applicable to the Norske DB Member of that Prior Plan.
 - (iii) for a Norske DB Member who is employed outside Canada either by a Participating Company or by a company which is affiliated with a Participating Company, and who, immediately prior to leaving Canada, was employed by the Participating Company, and who is designated by the Participating Company as being subject to this paragraph (iii), the period of his employment outside Canada with the Participating Company or the affiliated company shall be counted as Credited Service, subject to a maximum of five years of such service and to any other requirements under Revenue Rules. However, such a Norske DB Member who participates in a pension plan of a subsidiary or an affiliate of a Participating Company, will cease to accrue Credited Future Service on the date of the transfer.

In no event however shall the total periods of unpaid leave of absence on account of sickness, accident, parenting maternity, disability leave or leave while receiving workers compensation benefits, included in Credited Service under subparagraph (i), or in Negotiated Plan Past Service or in Negotiated Plan Future Service, in respect of a Norske DB Member, excluding those throughout which the Norske DB Member suffers a physical or mental impairment, as certified in writing by a qualified medical doctor, licensed to practice in Canada, that prevents the Norske DB Member from performing the duties of employment in which the Norske DB Member was engaged before the commencement of the impairment, exceed the sum of:

- (iv) five years; and
- (v) the periods of parenting, as defined in Revenue Rules, subject to a maximum of 36 months of such periods of parenting and a maximum of 12 months for any one period of parenting.

For the purposes of determining the benefits payable in accordance with article 2.4, Credited Service shall not include DC Credited Service other than for purposes of determining the Norske DB Member's Earnings.

2.2.2. Partial Service Credit

Notwithstanding section 2.2.1, for a Norske DB Member employed for a segment of a Plan Year after January 1, 1989 for a number of hours which is less than the normal number of hours of work for employees of the Participating Company at that work location, partial Credited Service shall be credited for that segment of the Plan Year based on the sum of the number of normal work days and statutory holidays in that segment multiplied by the Part-Time Service Factor.

2.2.3. Exclusion from Credited Service

Notwithstanding the provisions of sections 2.2.1 and 2.2.2, Credited Service shall not include

- (a) any period of active membership of a Norske DB Member in any other plan of a Participating Company or any other company associated with a Participating Company for which a benefit is accrued except as specified herein;
- (b) any period of unpaid leave of absence, except absence on account of sickness, accident, parenting or maternity; and
- (c) any period of temporary suspension of employment or military service as described in paragraphs 1.7.1(b)(iii) and 1.7.1(b)(iv) during which such Norske DB Member is not receiving Earnings.

2.2.4. Election of Benefit Options

A Norske DB Member may elect to participate in an alternative benefit option, the Contributory Option, as described in this section and Appendix B. The provisions of the Contributory Option apply only to the period of Contributory Credited Service.

- (a) For periods of a Norske DB Member's Credited Future Service that do not constitute Contributory Credited Service, the Norske DB Member will accrue benefits under the Plan as defined in article 2.5 of the Plan.
- (b) For periods of a Norske DB Member's Contributory Credited Service, the Norske DB Member will accrue benefits under the Plan as defined in Appendix B.

2.2.5. Disability Accrual Under Contributory Option

A Norske DB Member who, prior to commencement of benefits under a Participating Company's short term or long term disability plan, was accruing benefits under a

Contributory Option, will cease accruing benefits under that option and will accrue benefits in accordance with article 2.5. The Norske DB Member will cease making contributions to the Plan during the period of disability.

2.3. Norske DB Member Contributions

2.3.1. Norske DB Member Contributions

Prior to January 1, 2002, Norske DB Members were not required nor permitted to make contributions to the Norske Plan.

Norske DB Members who elected the Contributory Option under the Norske Plan or who so elect in accordance with section 2.2.4 shall be required to make contributions to the Plan in accordance with Appendix B and subject to the provisions of subparagraph 8503(4)(a)(i) of the Income Tax Regulations. Periods in which such contributions have been made to the Norske Plan or which are made to the Plan shall constitute Contributory Credited Service.

2.3.2. Return of Norske DB Member Contributions

Norske DB Member's contributions made under section 2.3.1 may be refunded at any time to the Norske DB Member where such action is required to avoid revocation of registration of the Plan under the *Income Tax Act*.

2.3.3. Remittance of Norske DB Member Contributions

The Company shall remit to the Funding Agency, for deposit to the Fund, all sums received by the Company from a Norske DB Member or deducted from a DB Member's pay, within 30 days following the month in which the sums are received or deducted.

2.4. Retirement Income Formula

The formulas shown in this article are used in the calculation of the retirement income in respect of a Norske DB Member, and the amount derived therefrom is the basis on which the actual amount of retirement income will be determined in accordance with the applicable provisions of the Plan.

The annual amount of retirement income computed as of a Norske DB Member's Date of Determination shall be equal to the sum of the Past Service Benefit and the Future Service Benefit, determined in accordance with sections 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5 and 2.4.6.

2.4.1. Past Service Benefit for Crown Forest Service

The Past Service Benefit in respect of Crown Forest Service of a Norske DB Member shall be the greater of (a) and (b) as follows:

- (a) one percent (1%) of that portion of a Norske DB Member's Best Average Earnings which is not in excess of his YMPE Average, plus one and three-quarters percent (1.75%) of that portion of the Norske DB Member's Best Average Earnings which is in excess of his YMPE Average, for each year of the Norske DB Member's Crown Forest Service, and
- (b) \$480 multiplied by the Norske DB Member's Crown Forest Service.

2.4.2. Past Service for BCFP Service

The Past Service Benefit in respect of BCFP Service of a Norske DB Member shall be the sum of (a), (b), (c), and (d) as follows:

- (a) the greater of:

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- (i) 1.5% of the Norske DB Member's Best Average Earnings for each year of BCFP Service between May 1, 1952 and December 31, 1965, inclusive and
 - (ii) \$480 multiplied by the Norske DB Member's BCFP Service between May 1, 1952 and December 31, 1965, inclusive;
 - (b) the greater of:
 - (i) 1.0% of that portion of the Norske DB Member's Best Average Earnings which is not in excess of his YMPE Average, plus 2.0% of that portion of the Norske DB Member's Best Average Earnings which is in excess of his YMPE Average for each year of BCFP Service between January 1, 1966 and December 31, 1988 inclusive, while a member of the BCFP Salaried Plan; and
 - (ii) \$480 multiplied by the Norske DB Member's BCFP Service between January 1, 1966 and December 31, 1988 while a member of the BCFP Salaried Plan, inclusive;
 - (c) for each Norske DB Member who was a member of the BCFP Salaried Plan on July 9, 1987 or who became employed by British Columbia Forest Products Limited in a salaried position after July 9, 1987 and before January 1, 1989 the greater of:
 - (i) 0.5% of Best Average Earnings for each year of Continuous Service with British Columbia Forest Products Limited or Crofttech Inc. or Western Forest Products Ltd. or Grand Cache Forest Products Ltd. or Swiftsure Towing Company Ltd. prior to January 1, 1989 during which the Norske

DB Member was not a member of any registered plan to which British Columbia Forest Products Limited contributed, and

- (ii) \$480 multiplied by the number of years of Continuous Service with British Columbia Forest Products Limited or Crofttech Inc. or Western Forest Products Ltd. or Grand Cache Forest Products Ltd. or Swiftsure Towing Company Ltd. prior to January 1, 1989 during which the Norske DB Member was not a member of any registered plan to which British Columbia Forest Products Limited contributed.
- (d) Notwithstanding the provisions of paragraph 2.4.3(c), and provided that the Norske DB Member was a member of the Norske Plan on December 31, 1993, the benefit provided under subsection 2.4.3(c) in respect of BCFP Pre-eligibility Service shall not be less than one percent (1%) of the Norske DB Member's Best Average Earnings for each year of BCFP Pre-eligibility Service.

2.4.3. Past Service Benefit for Negotiated Plan Past Service

- (a) for each Norske DB Member who has Negotiated Plan Past Service and who transferred to the Norske Plan, an annual pension equal to the greater of (i) and (ii), as follows:
 - (i) \$480 multiplied by the number of years of Negotiated Plan Past Service; and
 - (ii) one percent (1%) of the Norske DB Member's Best Average Earnings multiplied by the number of years of Negotiated Plan Past Service.
- (b) If a Norske DB Member transfers within a Participating Company or to another Participating Company to a category of employment such that the Norske DB Member ceases to be an Employee for the purposes of the Plan or if a Norske DB

Member transfers to a legal entity which is associated with a Participating Company but which does not itself participate in the Plan, then the amount of any benefit the Norske DB Member may be entitled to shall be determined taking into account any amendments made, while the Norske DB Member is still employed with a Participating Company or an associated company, which increases the \$480 benefit referred to in sections 2.4.1, 2.4.2, 2.4.3, and 2.4.4.

2.4.4. Future Service Benefit

The Future Service Benefit shall be equal to the sum of (a), (b) and (c) as follows:

- (a) the greater of:
 - (i) 1.3% of that portion of a Norske DB Member's Best Average Earnings which is not in excess of the YMPE Average, plus 2.0% of that portion of the Norske DB Member's Best Average Earnings which is in excess of the YMPE Average for each year of Credited Future Service; and
 - (ii) \$480 multiplied by the number of years Credited Future Service.
- (b) the greater of:
 - (i) \$480 multiplied by the number of years of Negotiated Plan Future Service
 - (ii) one percent (1%) of the Member's Best Average Earnings multiplied by the number of years of Negotiated Plan Future Service
- (c) The benefit earned by a Norske DB Member in respect of his Contributory Credited Service as described in Appendix B.

2.4.5. Retirement Income Offset – Entitlements Under Other Plans

In the case of a Norske DB Member who is entitled to benefits under any other plan in which the Company participated, including a Negotiated Plan, the annual retirement income of a Norske DB Member shall be decreased by the amounts the Norske DB Member is entitled to under the other plan or plans payable in the normal form under the plan and assuming the Member elected to commence his pension under the other plan or plans on his Normal Retirement Date, Early Retirement Date or Postponed Retirement Date, as the case may be.

2.4.6. Minimum Benefit for Contributors

Notwithstanding any other provision of the Plan, the benefit provided in respect of service during which the Norske DB Member made Prior Plan Contributions during Contributory Credited Service shall not be less than the benefit which can be provided by the Norske DB Member's contributions together with Interest thereon.

2.5. Amount of Retirement Income

2.5.1. Normal Retirement

A Norske DB Member who ceases Continuous Service on or immediately prior to his Normal Retirement Date will receive an amount of retirement income commencing from the Norske DB Member's Normal Retirement Date and computed in accordance with article 2.4, using the Norske DB Member's Normal Retirement Date as the Date of Determination.

2.5.2. Early Retirement

- (a) A Norske DB Member who ceases accruing Continuous Service on an Early Retirement Date on or after his fifty-fifth (55th) birthday will receive an amount

of retirement income computed in accordance with article 2.4 using the Norske DB Member's Early Retirement Date as his Date of Determination, with the retirement income computed in accordance with article 2.4, without reference to subsection 2.4.5, reduced by 0.25% for each month, if any, by which the date on which the Norske DB Member elects to commence receiving retirement income payments precedes the first (1st) day of the month next following or coincident with the day the Norske DB Member will attain age sixty (60), less the retirement income offset, if any, described in section 2.4.5.

- (b) A Norske DB Member who ceases accruing Continuous Service on an Early Retirement Date prior to his fifty-fifth (55th) birthday will receive an amount of retirement income computed in accordance with the sections of article 2.4 using the Norske DB Member's Early Retirement Date as his Date of Determination, with the benefit payable under each section reduced by Actuarial Equivalent factors to reflect the period by which the date on which the Norske DB Member elects to commence receiving retirement income payments precedes the first (1st) day of the month next following or coincident with the day the Norske DB Member will attain age sixty (60). The amount of the reduction determined in accordance with the foregoing sentence shall not be less than 0.25% for each month between the date on which the Norske DB Member elects to commence receiving retirement income precedes the first day of the month next following or coincident with the day the Norske DB Member will attain age sixty (60).

2.5.3. Postponed Retirement

A Norske DB Member who ceases accruing Continuous Service after his Normal Retirement Date shall be entitled to receive an amount of retirement income payable from the Norske DB Member's Postponed Retirement Date and computed in accordance with the sections of article 2.4 using the Norske DB Member's Postponed Retirement Date as his Date of Determination.

2.5.4. Post Retirement Pension Adjustments

The amount of retirement income payable to an individual who commenced receiving retirement income under the Norske Plan or the Plan may be increased from time to time as a result of an amendment to the Plan, in accordance with the provisions of section 1.12.1. Any such increase shall be warranted by increases in the Consumer Price Index after benefits commence to be paid. The total of such increases in the amount of retirement income shall be reduced, if necessary, so that such total does not exceed the product of the initial amount of retirement income payable to the individual and the percentage increase in the Consumer Price Index from the date of commencement of the retirement income to the date of payment of the applicable increase in benefit.

For greater certainty, no amendment may be made to the Plan which will reduce or eliminate any post-retirement pension adjustments which formed part of the Norske Plan on or before December 31, 2003.

2.6. Maximum Pension

2.6.1. Maximum Benefit at Date of Determination

In no event shall the total amount of retirement income payable at an annual rate, in the form specified in section 2.7.1 for a Norske DB Member who does not have a Spouse at the relevant time and in the form specified in section 2.7.2 for a Norske DB Member who does have a Spouse at the relevant time, under the Plan upon termination of employment, retirement or discontinuance of the Plan, exceed the lesser of (a) and (b) as follows:

- (a) two percent (2%) of the average of the best consecutive three (3) years' remuneration of the Norske DB Member, multiplied by the sum of (i) and (ii) as follows:

- (i) the number of years prior to January 1, 1990, not exceeding thirty-five (35), of pensionable service which is acceptable for such purpose under the Revenue Rules,
 - (ii) the number of years after December 31, 1989 of pensionable service which is acceptable for such purpose under the Revenue Rules, and
- (b) \$1,833.33 (or such larger amount as may be permitted under Revenue Rules at the Date of Determination) multiplied by the sum of (i) and (ii) as follows:
- (i) the number of years prior to January 1, 1990, not exceeding thirty-five (35), of pensionable service which is acceptable for such purposes under the Revenue Rules,
 - (ii) the number of years after December 31, 1989 of pensionable service which is acceptable for such purposes under the Revenue Rules.

If, at the Date of Determination, the Norske DB Member has not attained age sixty (60), the maximum pension benefit determined in accordance with this section shall be reduced by one quarter of one percent (0.25%) for each month by which the Norske DB Member's Retirement Date precedes the earliest of:

- (i) the date the Norske DB Member attains age sixty (60);
- (ii) the date the Norske DB Member completed, or would have completed had the Norske DB Member continued in employment after his Early Retirement Date, thirty (30) years of Early Retirement Eligibility Service; and

- (iii) the date on which the aggregate of the Norske DB Member's age and Early Retirement Eligibility Service is, or would have been had the Norske DB Member continued in employment after his Early Retirement Date, equal to eighty (80) years.

The maximum benefit determined as described previously in this section shall be reduced by the amount of benefit payable to the Norske DB Member from any other pension plan of a Participating Company, registered under Revenue Rules, in respect of the same period of pensionable service.

2.6.2. Maximum Benefit at Payment Date

In no event shall the amount of lifetime retirement income payable at an annual rate under the Plan in a particular calendar year after the calendar year in which the Norske DB Member's Retirement Date occurs, exceed the product of

- (a) the amount determined under section 2.6.1, and
- (b) the ratio of
 - (i) the greatest of all amounts each of which is the average of the Consumer Price Index for the calendar year in which the Norske DB Member's Retirement Date occurs or any subsequent calendar year not later than the particular year, to
 - (ii) the average Consumer Price Index for the calendar year in which the Norske DB Member's Retirement Date occurs.

Notwithstanding the foregoing, such ratio shall be 1.0 for calendar years prior to the calendar year in which the Norske DB Member attains age sixty (60).

2.6.3. Exemption from Maximum Provisions

The provisions of sections 2.6.1 and 2.6.2 shall not apply to temporary amounts of retirement income payable from the Norske DB Member's current age to the Norske DB Member's age sixty-five (65) that do not exceed the Norske DB Member's expected benefit under the Canada Pension Plan (determined as if the Norske DB Member were age sixty-five (65) at the Date of Determination), multiplied by the ratio of the lesser of the Norske DB Member's Credited Service and ten (10) years to ten (10) years, and reduced by one quarter of one percent (0.25%) for each month by which the Norske DB Member's Retirement Date precedes the date the Norske DB Member attains age sixty (60).

2.6.4. Exemption - Postponed Retirement

The provisions of sections 2.6.1 and 2.6.2 shall not apply when the Norske DB Member's Retirement Date is subsequent to the attainment of age sixty-five (65) and

- (a) the amount of lifetime benefits that would have been paid if the Norske DB Member had retired on the first day of the month coincident with or next following the attainment of age sixty-five (65) would have satisfied section 2.6.1; and
- (b) the Actuarial Equivalent of the Norske DB Member's lifetime retirement income benefits at Retirement Date does not exceed the aggregate of
 - (i) the Actuarial Equivalent at Retirement Date, of the lifetime retirement income benefits that would have been paid subsequent to the Retirement Date if the Norske DB Member had retired on the first day of the month coincident with or next following the attainment of age sixty-five (65), and

- (ii) the aggregate of all amounts each of which is a payment that would have been made to the Norske DB Member in the period from the first day of the month coincident with or next following the attainment of age sixty-five (65) to the Retirement Date, if the Norske DB Member had retired on the first day of the month coincident with or next following the attainment of age sixty-five (65), and
- (iii) the aggregate of all amounts each of which is interest computed at a reasonable rate in respect of a payment referred to in paragraph (ii) from the day that the payment would have been made to the Retirement Date.

2.7. Payment of Retirement Benefits

2.7.1. Normal Form

Subject to sections 2.7.2 and 2.7.3, the normal form of payment of retirement income, shall be an annual retirement income payable in equal monthly instalments for the life of the Norske DB Member with the last payment due on the first day of the month in which the death of the Norske DB Member occurs and with a guarantee that if the Norske DB Member dies before sixty (60) payments are made, the remaining payments shall be paid to the Norske DB Member's Beneficiary.

The normal form of pension accrued in respect of a Norske DB Member's Contributory Credited Service, if any, shall be as described in Appendix B.

2.7.2. Required Spousal Pension

Subject to section 2.7.3, if a Norske DB Member has a Spouse on the date on which payment of the first instalment of the retirement income is due, the annual retirement income shall be payable in equal monthly instalments for the life of the Norske DB

Member with the last payment due to the Norske DB Member on the first day of the month in which the death of the Norske DB Member occurs with sixty percent (60%) of the amount payable to the Norske DB Member, continuing to be paid to the Norske DB Member's Spouse, commencing on the first day of the month following the month in which the death of the Norske DB Member occurs and ending on the first day of the month in which the death of the Norske DB Member's Spouse occurs. The value of the annual benefit payable under this section shall be the Actuarial Equivalent of the annual benefit described in section 2.7.1.

The provisions of section 2.7.2 shall not apply to a Norske DB Member who has a Spouse in respect of whom the Company receives, prior to the date the first installment is due, a notice of division of pension entitlements under the Plan pursuant to a written separation agreement or court order acceptable for such purposes under Applicable Pension Laws.

2.7.3. Election of Optional Form

- (a) In lieu of the annuity prescribed by sections 2.7.1 and 2.7.2, a Norske DB Member may, on a written form prescribed by and filed with the Company within the 90-day period immediately preceding payment of the first instalment of the benefit, elect to receive a life annuity, the annual amount of which is increased or decreased by reason of a variation in the terms of payment. Such annuity shall be payable in the forms set out in subsections (d) and (e) and (f) and shall be in accordance with Revenue Rules and Applicable Pension Laws. The value of the benefit shall be the Actuarial Equivalent of the benefit payable under section 2.7.1. However, in no event shall any actuarial increase due to the election of an optional form cause the annual amount of the Norske DB Member's retirement income to exceed the maximum amount of retirement income that is applicable in accordance with the other provisions of the Plan.

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- (b) If a Norske DB Member who has a Spouse makes an election under subsection 2.7.3(a), it shall be subject to the written approval, in prescribed form, of the Norske DB Member's Spouse.
 - (c) An election to receive an optional form of retirement income under this section may be revoked or changed provided that either:
 - (i) written notice of such revocation or change is received from the Norske DB Member by the Company prior to payment of the first instalment of the benefit; or
 - (ii) the Spouse under a contingent annuitant option has died prior to payment of the first instalment of the benefit.
 - (d) The optional form of retirement income may be in the form of an annual retirement income payable in equal monthly instalments for the life of the Norske DB Member
 - (i) with the last payment due on the first day of the month in which the death of the Norske DB Member occurs; or
 - (ii) with the last payment due on the first day of the month in which the death of the Norske DB Member occurs, with a guarantee that if the Norske DB Member dies before 120 or 180 payments are made, as elected by the Norske DB Member, the remaining payments shall be paid to the Norske DB Member's Beneficiary.
 - (e) The optional form of retirement income may be in the form of an annual retirement income payable in equal monthly instalments for the life of the Norske DB Member with the last payment due to the Norske DB Member on the first

day of the month in which the death of the Norske DB Member occurs and 66 2/3%, 75% or 100% of this retirement income, as elected by the Norske DB Member, continuing to be paid to the Norske DB Member's Spouse commencing on the first day of the month following the month in which the death of the Norske DB Member occurs and ending on the first day of the month in which the death of the Norske DB Member's Spouse occurs.

- (f) The optional form of retirement income may be in the form of annual retirement income described in paragraphs (d) or (e), but where, for retirement income commencing prior to a Norske DB Member's Normal Retirement Date, the actual retirement income payable prior to the Normal Retirement Date is increased and the retirement income payable after the Normal Retirement Date is decreased with the intention of providing a level income when the Norske DB Member's retirement income is combined with any government pensions payable.
- (g) In the case of a Norske DB Member whose annual retirement income is being decreased by any amounts that the Norske DB Member may be entitled to under a Negotiated Plan, in accordance with section 2.4.5, the optional form of retirement income shall be determined assuming the retirement offset amount, if any, contemplated in section 2.4.5, is also payable under the optional form of pension elected under the Plan.

2.7.4. Non-Commutability of Annuities

Subject to article 1.11, an annuity required to be paid to a person under the terms of the Plan shall not be surrendered or commuted, except that:

- (a) for a Norske DB Member's termination of employment, death or retirement, as the case may be:

- (i) if the annual amount of retirement income is not greater than 10% of the YMPE in the year in which the event occurs; or
- (ii) if the Commuted Value of the Norske DB Member's retirement income is not greater than 20% of the YMPE in the year in which the event occurs.

the person entitled to the retirement income may request the payment of his retirement income to be commuted and paid in a lump sum; and

- (b) subject to Applicable Pension Laws, if it is established that such person has a shortened life expectancy by the submission of the written certification of a medical doctor licensed to practice in Canada, the person may elect, prior to commencement of payment of benefits under the Plan, to receive, partly or wholly in lieu of any periodic benefit payable under the Plan, any form of benefit settlement acceptable under Revenue Rules; and
- (c) an annuity required to be paid under the Plan to a Norske DB Member who has ceased to accrue Continuous Service and who has been absent from Canada for 2 or more years, and has become a non-resident of Canada as determined under Revenue Rules, may be commuted and paid in a lump sum at the discretion of the person entitled to the benefit, provided that the appropriate forms are completed and filed as required by Applicable Pension Laws.

The value of any such form of benefit settlement shall be the Commuted Value of the benefit remaining to be paid. The actual transfer of the Commuted Value shall be made within 60 days of the Company receiving direction to make such transfer and all documents which are required to authorize such transfer.

2.7.5. Combination of Benefits

For the purposes of determining the amount of retirement income payable to a Norske DB Member as provided in section 2.7.4, all benefits payable from the Plan, including benefits derived from Parts 2, 3 and 4 of the Plan, shall be combined.

2.8. Death Benefits

2.8.1. Death Benefits Prior to Retirement Date

- (a) If a Norske DB Member who is accruing Continuous Service dies prior to Retirement Date, and if the Norske DB Member has not attained age fifty-five (55), whether or not the Norske DB Member had attained his vesting date as described in section 2.9.2, there shall be paid to the Norske DB Member's Spouse, an annual retirement income which is of Actuarial Equivalent value to the lump sum Commuted Value which the Norske DB Member would have been entitled to transfer in accordance with subsection 2.9.3(a) if he had terminated his employment on his date of death, and, if he had not attained his vesting date, as if he had done so. If the Norske DB Member, as described in the preceding sentence, does not have a Spouse or the Spouse has waived entitlement in the prescribed form, there shall be paid to the Norske DB Member's Beneficiary an amount equal to the lump sum Commuted Value which the Norske DB Member would have been entitled to transfer in accordance with subsection 2.9.3(a) if he had terminated his employment on his date of death, and, if he had not attained his vesting date, as if he had done so.
- (b) If a Norske DB Member who is accruing Continuous Service dies after attaining age fifty-five (55) and prior to Normal Retirement Date whether or not the Norske DB Member has attained his vesting date as described in section 2.9.2,

- (i) the Norske DB Member's Spouse shall be entitled to receive a retirement income, calculated in accordance with section 2.5.2 as if the Norske DB Member retired on the first (1st) day of the month coincident with or immediately following the date of death and further adjusted in accordance with section 2.7.2. The retirement income payable to the Norske DB Member's Spouse shall be increased if necessary so that the Commuted Value of the retirement income is not less than the lump sum Commuted Value which the Norske DB Member would have been entitled to transfer in accordance with subsection 2.9.3(a) if he had terminated employment on his date of death, and, if he had not attained his vesting date, as if he had done so.
- (ii) if the Norske DB Member has no Spouse, there shall be paid to the Norske DB Member's Beneficiary an amount equal to the lump sum Commuted Value which the Norske DB Member would have been entitled to transfer in accordance with subsection 2.9.3(a) as if he had terminated his employment on his date of death, and, if he had not attained his vesting date, as if he had done so.
- (c) The Spouse of a Norske DB Member of the BCFP Salaried Plan, or if there is no Spouse or the Spouse has waived entitlement in the prescribed form, the Beneficiary of the DB Member, shall receive not less, in respect of the Norske DB Member's BCFP Service prior to July 1, 1979, than the Prior Plan Contributions of the Norske DB Member together with Interest to the Norske DB Member's date of death.

2.8.2. Death Benefits After Normal Retirement Date and Before Postponed Retirement Date

Notwithstanding the provisions of section 2.8.1, if the death of a Norske DB Member who is an Employee occurs after Normal Retirement Date, but before reaching a Postponed Retirement Date, for the purpose of determining any death benefit payable hereunder, the Norske DB Member shall be deemed to have retired on the first (1st) day of the month coincident with or immediately preceding the date of the Norske DB Member's death, and the required spousal pension described in section 2.7.2 shall apply if the Norske DB Member has a Spouse on the date of his death.

2.8.3. Death Benefits for Terminated Employees

- (a) If a Norske DB Member has ceased to accrue Continuous Service and has an entitlement to retirement income benefits in accordance with article 2.9, and if the death of such Norske DB Member occurs prior to the commencement of such retirement income, there shall be paid to the Norske DB Member's Spouse, if there is no Spouse, the Beneficiary, an amount equal to the Norske DB Member's Prior Plan Contributions with Interest to the date of death, to the extent not previously refunded. If the former Norske DB Member has terminated his membership in the Plan on or after January 1, 1989, the Commuted Value of the benefit payable to the Spouse, or if there is no Spouse or the Spouse has waived entitlement in the prescribed form, the Beneficiary, an amount equal to the Commuted Value of the deferred retirement income to which the former Norske DB Member was entitled.
- (b) The benefit payable to the Spouse under (a) above shall be payable as an immediate annuity, or a deferred annuity commencing on or before the Spouse attains age sixty-five (65). Instead of receiving annuity payments, the Spouse may elect one of the alternative forms of payment as described in section 2.8.5.

The benefit payable to the Beneficiary if there is no Spouse or the Spouse has waived entitlement in the prescribed form, shall be payable as a lump sum amount in cash.

2.8.4. Death Benefits After Retirement Date

If the death of a Norske DB Member occurs after his Retirement Date, there shall be paid to the Beneficiary any benefits due in accordance with the retirement income option elected by the Norske DB Member under article 2.7. In the case of a Norske DB Member who did not elect, and was not deemed to have elected, an optional form of retirement income, payment shall be made to the Norske DB Member's Beneficiary in accordance with section 2.7.1, provided that the Norske DB Member did not have a Spouse at the date of commencement of retirement income.

2.8.5. Commutation of Death Benefits

- (a) A Spouse who is entitled to a benefit in accordance with subsection 2.8.1(a) may elect within ninety (90) days of notification of the value of her benefit that the Commuted Value of her benefit be transferred to a locked-in registered retirement savings plan of the Spouse or to a life income fund of the Spouse, or may be transferred to another registered pension plan if that plan so permits or may be used to purchase an immediate or deferred life annuity, all in accordance with Applicable Pension Laws.
- (b) Notwithstanding the foregoing, if the Commuted Value of the Spouse's benefit entitlement is not greater than 10% of the YMPE, the Company may require that the lump sum Commuted Value be transferred to a locked-in registered retirement savings plan, to a life income fund, to another registered pension plan, if that plan so permits, or to purchase an immediate or deferred life annuity, all in accordance with Applicable Pension Laws.

- (c) The amount of retirement income payable to a Norske DB Member's Beneficiary under a guarantee option may, if so requested by the Beneficiary, be paid in a lump sum that is the Commuted Value of the remaining retirement income payments under the guarantee option.
- (d) The amount of any retirement income payable to a Norske DB Member's estate under a guarantee option, shall be paid in a lump sum that is the Commuted Value of the remaining retirement income payments under the guarantee option.
- (e) The actual transfer of the Commuted Value, if elected, shall be made within 60 days of the Company receiving direction to make such transfer and all documents which are required to authorize such transfer.

2.8.6. Combination of Benefits

For the purposes of determining the amount of retirement income payable to a Norske DB Member as provided in section 2.8.5, all benefits payable from the Plan, including benefits derived from Parts 2, 3 and 4 of the Plan, shall be combined.

2.9. Termination Benefits

2.9.1. Not Vested

A Norske DB Member whose employment with a Participating Company is terminated prior to the completion of two (2) years of Continuous Service, for any reason other than death or retirement, is entitled to receive a lump sum refund of his contributions, if any, made to the Norske Plan and the Plan in accordance with section 2.3.1 and Appendix B, plus Interest.

2.9.2. Vested

A Norske DB Member whose employment with a Participating Company is terminated after the completion of two (2) years of Continuous Service, for any reason other than death or retirement, shall have attained his vesting date and is entitled to receive an annual retirement income, payable in accordance with article 2.7 and commencing at Normal Retirement Date, or, in the case of a former member of the BCFP Salaried Plan who has completed twenty (20) years of Continuous Service at the date of his termination of employment, commencing at age sixty (60), equal to the amount of retirement income computed in accordance with article 2.4, using the Norske DB Member's date of termination of employment as the Date of Determination, provided that the benefit of a Norske DB Member who was a member of the BCFP Salaried Plan, in respect of service prior to July 1, 1979 shall not be less than the amount which is Actuarially Equivalent to the Prior Plan Contributions of the Norske DB Member, together with Interest to his date of termination of employment.

A terminating Norske DB Member who had made Prior Plan Contributions may elect a refund of such contributions together with interest credited under the funding agreement applicable to the Prior Plan Contributions and, if he so elects, his vested annual retirement income shall be reduced by the amount of annual retirement income which would be otherwise provided to him under the applicable funding agreement, but the retirement income payable in respect of the period of Credited Service during which such Prior Plan Contributions were made shall not be less than \$40 per month for each year of such Credited Service.

A Norske DB Member who attains his Normal Retirement Date or who elects to retire on an Early Retirement Date shall be fully vested in all benefits accrued under the Plan.

2.9.3. Additional Requirements

- (a) A Norske DB Member who terminates employment after his vesting date but prior to age fifty-five (55) may elect, within ninety (90) days of notification of

the value of his benefit, the purchase of a deferred life annuity commencing not earlier than age fifty-five (55) in the same amount as his retirement income under the Plan or may elect to transfer, subject to Revenue Rules, the Commuted Value of his retirement income to a locked-in registered retirement savings plan or to a life income fund, as that term is described, and regulated, in Applicable Pension Laws or to another registered pension plan if that plan so permits.

If the Norske DB Member fails to make an election within 90 days of being advised of the entitlement under this section 2.9.3(a), the Norske DB Member will be deemed to have elected a deferred pension from the Plan.

If the Norske DB Member elects to transfer the Commuted Value of his retirement income to a life income fund, the transfer shall not be made unless the Spouse has provided written consent in a form acceptable under Applicable Pension Laws.

The actual transfer of the Commuted Value, if elected, shall be made within 60 days of the Company receiving the Norske DB Member's direction to make such a transfer and all documents which are required to authorize such transfer.

- (b) If the Commuted Value of retirement income is not greater than 20% of the YMPE, the Company may, in its sole discretion, require that the lump sum Commuted Value be transferred to a locked-in registered retirement savings plan of the Norske DB Member, or to a life income fund of the Norske DB Member, or to another registered pension plan if that plan so permits, or to purchase an immediate annuity or deferred annuity commencing after age 55, all in accordance with the requirements of Applicable Pension Laws.

For the purposes of determining the amount of retirement income payable to a Norske DB Member as provided in this subsection 2.9.3(b), all benefits payable

from the Plan, including benefits derived from Parts 2, 3 and 4 of the Plan, shall be combined.

- (c) A Norske DB Member who elects to transfer the Commuted Value of his retirement income in accordance with subsection 2.9.3(a) may at the same time transfer the Commuted Value of any other vested retirement income to which the Norske DB Member is entitled under the Plan which has arisen from a prior period of employment with the Company or a predecessor company.

2.9.4. Early Commencement and Optional Forms of Payment

A Norske DB Member who is entitled to a deferred retirement income in accordance with this article 2.9 may elect to receive a retirement income commencing at a date earlier than Normal Retirement Date, but not earlier than the earliest retirement date permitted in accordance with section 1.4.15, and may elect an optional form of payment acceptable under section 2.7.3. The amount of retirement income payable at such earlier retirement date or under the optional form elected shall be the lesser of:

- (a) the Actuarial Equivalent of the retirement income otherwise payable at the age specified in section 2.9.2 in the form specified in article 2.7; and
- (b) the retirement income which would otherwise have commenced at the age specified in section 2.9.2, multiplied by both the applicable early retirement factor in accordance with section 2.5.2, and the applicable factor for the optional form elected.

2.9.5. Additional Vesting Provision

The provisions of section 2.9.1 notwithstanding, all Norske DB Members who are employed at an operation which is closed by a Participating Company or which is sold by

the Company or by a Participating Company shall become vested and entitled to the benefits described in section 2.9.2.

2.9.6. Limitation on Transfer of Commuted Value

If at the time that

- (a) a Norske DB Member is entitled to transfer a Commuted Value in accordance with subsection 2.9.3(a) or subsection 2.9.3(b),
- (b) a Spouse is entitled to transfer a Commuted Value in accordance with subsection 2.8.5(a) or subsection 2.8.5(b),
- (c) a Beneficiary is entitled to a lump sum payment in accordance with subsection 2.8.5(c), or
- (d) an Estate is entitled to a lump sum payment in accordance with subsection 2.8.5(d),

the solvency ratio, as that term is defined in Applicable Pension Laws, is less than 1.0, then the amount of the immediate transfer of the Commuted Value shall be reduced in accordance with Applicable Pension Laws, and the balance of the Commuted Value shall be paid subsequently in accordance with Applicable Pension Laws.

Part 3 Defined Contribution

The provisions of this Part 3 shall apply only to DC Members who are Employees on or after January 1, 2004.

Benefits in respect of a DC Member whose employment ceased prior to January 1, 2004 shall be determined in accordance with the terms of the Norske Plan as it was constituted at the time of such cessation of employment, except as may be specifically provided herein.

3.1. Definitions

- 3.1.1. **"Account"** means the individual account established by the Company under the Plan on behalf of each DC Member in accordance with section 3.4.1;
- 3.1.2. **"DC Plan Administrator"** means the company appointed by the Company to maintain the records and perform other agreed-upon administrative functions in respect of the defined contribution segment of the Plan.
- 3.1.3. **"DC Retirement"** means retirement of a DC Member as described in section 3.5.1;
- 3.1.4. **"DC Termination"** means the termination of a DC Member's employment as described in section 3.6.1;
- 3.1.5. **"Initial Account Value"** means, for an individual who elected to become a DC Member prior to January 1, 2010, the lump sum amount that was determined in accordance with the terms of the Norske Plan as of the date an individual elected to become a DC Member, which was the Actuarial Equivalent of the defined benefits such an individual had accrued under the defined benefit provisions of the Norske Plan up to such date. For an Employee described in section 1.1.6 or 1.1.7 who became a DC Member, the Initial Account Value shall be the lump sum amount which is the Actuarial Equivalent of the defined benefits which the Member would have been contingently entitled to in

accordance with Part 2 of the Plan in respect of his Continuous Service prior to his date of transfer. For greater clarity, the Initial Account Value for individuals who become a DC Member on or after January 1, 2010 shall be nil.

- 3.1.6. **"Valuation Date"** means a day at which the DC Plan Administrator determines the value of each Account. "Valuation Dates" shall occur at such times as may be required or permitted by the Funding Agreement but not less frequently than monthly.

3.2. Contributions

3.2.1. Basic Contribution Rate for DC Member

Subject to section 3.2.8, each Participating Company, shall, for each of its Employees who is a DC Member, other than those Employees designated by the Company as employees on salary continuance or working notice, as identified in section F.2 of Appendix F, make a contribution of:

- i) for Continuance Service prior to January 1, 2010, 7% of the DC Member's monthly Earnings; and
- ii) for Continuance Service on or after January 1, 2010, 5% of the DC Member's monthly Earnings.

Subject to section 3.2.8, each Participating Company shall make a contribution of 7% of the DC Member's monthly Earnings for each of its employees who is a DC Member on salary continuance or working notice as identified in section F.2 of Appendix F.

Each contribution shall be paid to that DC Member's Account on the last day of the applicable month. Contributions in respect of any portion of a Member's Earnings which is not paid on a regular basis shall be paid to the DC Member's Account on the last day of the month in which the Earnings are paid to the Member.

3.2.2. Contributions for Disabled DC Member

Contributions shall continue to be made in accordance with section 3.2.1 in respect of any DC Member who suffers a physical or mental impairment, as certified in writing by a medical doctor, licensed to practice in a province of Canada, which meets the qualification criteria for receipt of benefits under a Participating Company's disability income plan or the qualification criteria for receipt of workers compensation benefits and which prevents the DC Member from performing the duties of employment in which the DC Member was engaged before the commencement of the impairment. The amount of the DC Member's monthly Earnings used in the computation of the contribution under this section 3.2.3 shall, subject to Revenue Rules, be based on the monthly rate of Earnings of the DC Member immediately prior to the onset of the period of absence from work due to the physical or mental impairment.

3.2.3. Contributions for Certain DC Members During Unpaid Leave of Absence

Contributions shall continue to be made in accordance with section 3.2.1 in respect of any DC Member who commences or continues a period of unpaid leave of absence which is a period of maternity leave or Parental leave or is attributable to sickness or accident. The amount of the DC Member's Earnings used in the computation of the contribution under this section 3.2.3, subject to Revenue Rules, shall be based on the monthly rate of Earnings of the DC Member immediately prior to the period of unpaid leave of absence.

3.2.4. Use of Surplus Assets to Provide Contributions

Any Participating Company may, subject to the approval of the Company, provide for the required contributions to be made from existing surplus assets under the defined benefit segment of the Plan, as described in section 1.9.1, via the transfer of monies from the defined benefit segment of the Fund to the defined contribution segment of the Fund.

3.2.5. Limited Liability

Subject to Applicable Pension Laws, the liability of a Participating Company at any time to a DC Member is limited to such contributions as should have been made under section 3.2.1, or section 3.2.2 by the Participating Company to that DC Member's Account in accordance with Applicable Pension Laws.

3.2.6. Maximum Contributions

In no event shall the total contributions made by one or more Participating Companies under this Part 3 on behalf of a DC Member during any calendar year exceed the maximum contribution limit specified in article 3.3 for such calendar year.

3.2.7. Contributions by Members Not Required

No contributions are required or permitted to be made under the Plan by any DC Member.

3.2.8. Contributions for DC Member while Outside Canada

If a DC Member is employed outside Canada either by a Participating Company or by a company which is affiliated with a Participating Company, and if the DC Member, immediately prior to leaving Canada, was employed by the Participating Company, and has been designated by the Participating Company as being subject to this section 3.2.9, then, subject to Revenue Rules, contributions shall continue to be made in accordance with this article 3.2 for a period not exceeding five years from the date of commencing employment outside Canada. However, if such a DC Member participates in a pension plan of a subsidiary or an affiliate of a Participating Company, contributions shall cease to be made.

3.3. Maximum Contributions

3.3.1. Maximum Contribution

For each DC Member, subject to section 3.3.2, the maximum contribution limit in respect of any calendar year is 18% of the DC Member's Earnings in that calendar year, subject to the money purchase limit, as defined in Revenue Rules, as is applicable in that calendar year.

3.3.2. Benefits or Contributions under Another Plan

The maximum contribution limit described in section 3.3.1 shall be reduced by the amount of the DC Member's expected "Pension Adjustment", as that term is defined in Revenue Rules, for any benefits accrued or contributions made in the calendar year under any other pension plan or deferred profit sharing plan of a Participating Company.

3.3.3. Excess Contributions

If a Participating Company makes a contribution to an Account which would cause the Plan's registration to be revocable under Revenue Rules, then, subject to conditions or approval procedures under Applicable Pension Laws, such contribution shall be returned by the Funding Agency to the Participating Company.

3.4. DC Member Accounts

3.4.1. Individual Accounts

The DC Plan Administrator shall maintain individual Accounts with respect to each DC Member for the contributions made by a Participating Company in accordance with article 3.2. The Accounts of the Members shall form part of the Fund.

3.4.2. Investment Instructions

The DC Plan Administrator shall invest each Account pursuant to the DC Member's directions, made in accordance with the investment options and administrative practices permitted by the Company.

3.4.3. Valuation of Accounts

The value of each Account shall be determined or determinable by the DC Plan Administrator at each Valuation Date. The value of each Account shall be computed on the basis of market values at the Valuation Date concerned, having regard for the terms of the Funding Agreement.

3.4.4. Initial Account Value for Transferred Employees

As of the effective date of the Employee's transfer as described in Section 1.1.6 or Section 1.1.7, the DC Plan Administrator shall credit the Account of such Employee who becomes a DC Member with an Initial Account Value.

3.4.5. Funding of Initial Account

All amounts credited pursuant to Section 3.4.4 to Accounts shall be drawn from the Fund.

3.5. Retirement Benefits

3.5.1. DC Retirement

A DC Retirement is deemed to occur if a DC Member's employment with a Participating Company ceases:

- (a) on or after the DC Member's Normal Retirement Date; or
- (b) after the DC Member has attained age 55.

3.5.2. Entitlement to Distribution of Account

Upon DC Retirement, the DC Member is entitled to the distribution of the value of his Account as of the Valuation Date coincident with or next following the later of:

- (a) the date on which the DC Retirement occurs;
- (b) the date which is 30 days after the Company receives written notification of the DC Member's intent to retire; and
- (c) the date which is 30 days after the Company receives the documentation required by Applicable Pension Laws.

3.5.3. Options for Distribution

Upon DC Retirement, the DC Member shall elect to have his Account transferred to:

- (a) another registered pension plan, if that plan so permits;
- (b) a non-commutable registered retirement savings plan;
- (c) a life income fund, as that term is described, and regulated in Applicable Pension Laws;
- (d) the purchase of one or more non-commutable immediate or deferred life annuities; or
- (e) such other vehicle as permitted by Applicable Pension Laws and Revenue Rules

provided that the administrator of such recipient plan agrees in writing to administer such transferred benefit in accordance with Applicable Pension Laws and Revenue Rules.

3.5.4. Option to Remain a Member

Notwithstanding section 3.5.3, provided that the DC Member had both attained age 45 and completed 10 years of Continuous Service, the DC Member may elect to maintain the Account and to continue to be treated as a DC Member until such time as the Member makes an election as described in section 3.5.3, but not later than the first day of December in the calendar year in which the DC Member attains age 71. Notice of the DC Member's election to remain a DC Member following retirement shall be given to the Company not later than 60 days after the later of the date of retirement of the DC Member and the date of notification by the Company as to the DC Member's options.

3.5.5. Deemed Election of Annuity Purchase

If, at the time of retirement, the DC Member fails to make an election under either section 3.5.3 or section 3.5.4, the DC Member's Account will be maintained and invested in accordance with his latest instructions until a valid election is received, but if the DC Member has not made an election within 90 days after the later of the date of retirement and the date of notification by the Company as to the DC Member's options, a non-commutable life annuity commencing at the later of the DC Member's current age or his Normal Retirement Date shall be purchased at that time by the DC Plan Administrator on behalf of the DC Member.

3.6. Termination Benefits

3.6.1. DC Termination

A DC Termination is deemed to occur if a DC Member no longer is an Employee under the Plan for reasons other than:

- (a) death;
- (b) DC Retirement;
- (c) the DC Member being transferred within a Participating Company or to another Participating Company to a category of employment such that the DC Member ceases to be an Employee for the purposes of the Plan; or
- (d) the DC Member being transferred to any other company with which the Company has a Reciprocal Agreement.

3.6.2. **Distribution of Account**

Upon DC Termination, the DC Member is entitled to the distribution of the value of his Account as of the Valuation Date coincident with or next following the later of:

- (a) the date on which the DC Termination occurs; and
- (b) the date which is 30 days after the Company receives the documentation required by Applicable Pension Laws.

3.6.3. **Options for Distribution**

Upon DC Termination, the DC Member shall elect to have his Account transferred to:

- (a) another registered pension plan, if that plan so permits;
- (b) a non-commutable registered retirement savings plan;

- (c) a life income fund, as that term is described and regulated in Applicable Pension Laws;
- (d) the purchase of one or more non-commutable immediate or deferred life annuities; or
- (e) such other vehicle as permitted by Applicable Pension Laws and Revenue Rules

provided that the administrator of such recipient plan agrees in writing to administer such transferred benefit in accordance with Applicable Pension Laws and Revenue Rules.

3.6.4. Option to Remain a Member

Notwithstanding section 3.6.3, provided that the DC Member had both attained age 45 and completed 10 years of Continuous Service, the DC Member may elect to maintain the Account and to continue to be treated as a DC Member until such time as the Member makes an election as described in section 3.6.3, but not later than the first day of December in the calendar year in which the DC Member attains age 71. Notice of the DC Member's election to remain a DC Member following termination shall be given to the Company not later than 60 days after the later of the date of termination of the DC Member and the date of notification by the Company as to the DC Member's options.

3.6.5. Election of Annuity Purchase

If, at the time of termination, the DC Member fails to make an election under either section 3.6.3 or section 3.6.4, the DC Member's Account will be maintained and invested in accordance with his latest instructions until a valid election is received, but if the DC Member has not made an election within 90 days after the later of the date of termination and the date of notification by the Company as to the DC Member's options, a non-commutable life annuity commencing at the DC Member's Normal Retirement Date shall be purchased at that time by the DC Plan Administrator on behalf of the DC Member.

3.7. Death Benefits

3.7.1. Death Benefits

If a DC Member dies prior to the distribution of his Account:

- (a) the DC Member's Spouse; or
- (b) if there is no Spouse, or the Spouse has waived entitlement in the prescribed form, the DC Member's Beneficiary; or
- (c) if there is no Spouse or Beneficiary, the DC Member's estate,

shall be entitled to the distribution of the value of the DC Member's Account as of the Valuation Date coincident with or next following the later of:

- (i) the date which is 30 days after the Company receives written notification of the DC Member's death; and
- (ii) the date which is 30 days after the Company receives the documentation required by Applicable Pension Laws.

3.7.2. Spouse's Options for Distribution

For distribution under subsection 3.7.1(a), subject to section 3.7.3, the DC Member's Spouse shall elect to have the DC Member's Account transferred to:

- (a) another registered pension plan, if that plan so permits;
- (b) a non-commutable registered retirement savings plan;

- (c) a life income fund as that term is described and regulated in Applicable Pension Laws;
- (d) the purchase of one or more non-commutable immediate or deferred life annuities; or
- (e) such other vehicle as permitted by Applicable Pension Laws and Revenue Rules

provided that the administrator of such recipient plan or vehicle agrees in writing to administer such transferred benefit in accordance with Applicable Pension Laws and Revenue Rules.

3.7.3. Option to Become a Member

Notwithstanding section 3.7.2, if the DC Member at his date of death had both attained age forty-five and completed at least ten years of Continuous Service then, the DC Member's Spouse may elect to maintain the Account and to be treated as a DC Member for the purposes of article 3.4 until such time that the DC Member's Spouse makes an election as described in section 3.7.2 or until the first day of December of the calendar year in which the deceased DC Member would have attained age 71, or until the first day of December of the calendar year in which the Spouse attains age 71, whichever first occurs. Notice of the DC Member's Spouse's election shall be given to the Company not later than 60 days after the date of notification of the DC Member's Spouse by the Company as to the DC Member's Spouse's options.

3.7.4. Deemed Election of Annuity Purchase

If the deceased DC Member's Spouse fails to make an election under either section 3.7.2 or section 3.7.2, the DC Member's account will be maintained and invested in accordance with his latest instructions until a valid election is received from the Spouse. If no

election is received from the Spouse 90 days after the DC Member's Spouse is notified by the Company as to the DC Member's Spouse's options, a non-commutable life annuity commencing at the deceased DC Member's Normal Retirement Date shall be purchased at that time by the DC Plan Administrator on behalf of the DC Member's Spouse.

3.7.5. Distribution if No Spouse of Member

For distribution under subsection 3.7.1(b) or subsection 3.7.1(c), the distribution shall be made as a lump sum settlement.

3.8. Payment Options

3.8.1. Lump Sum Payment

- (a) For a DC Termination, DC Retirement or death, as the case may be:
 - (i) if a DC Member's Account would, upon application to purchase an annuity, provide installments of not greater than 10% of the YMPE in the year in which the event occurs; or
 - (ii) if the DC Member's Account is not greater than 20% of the YMPE in the year in which the event occurs,

the person entitled to the benefit may elect that the Company directs the payments of the DC Member's Account to be paid in a lump sum.

- (b) Benefits payable to a Member or Spouse, as applicable, and attributable to a DC Member's Account may be paid in a lump sum, at the discretion of the person entitled to the benefits, if:
 - (i) the person entitled to the benefits has attained age 65;

- (ii) the sum of the DC Member's Account and balances in any defined contribution provision of a registered pension plan and in any locked-in registered vehicle set out in section 3.6.3, as applicable, is less than 40% of the YMPE in the year the benefits are being paid; and
 - (iii) the person entitled to the benefits satisfies any other conditions prescribed by Applicable Pension Laws.
- (c) A benefit required to be paid under the Plan to a DC Member who has ceased to accrue DC Pension Benefits under Part 3 of the Plan and who has been absent from Canada for 2 or more years and has become a non-resident of Canada as determined under Revenue Rules, may be paid in a lump sum at the discretion of the person entitled to the benefit, provided that the appropriate forms are completed and filed as required by Applicable Pension Laws.

3.9. Effect of Payment

3.9.1. Discharge of Responsibility

Upon the distribution of the entitlement of a DC Member, or his Spouse, under the Plan in accordance with the Plan, there shall be no further liability under the Plan to any person for any other benefit in respect of such DC Member with respect to the amount paid. An acceptance of the benefit shall constitute a full acquittal and discharge of the liabilities under the Plan and of the Company, the Participating Company and Funding Agency by the recipient.

3.10. Form of Annuity and Spousal Waiver

3.10.1. Required Form of Annuity for Member with Spouse

An immediate life annuity which is purchased with the DC Member's Account shall, if the DC Member has a Spouse at the time of purchase and the Spouse has not waived, in prescribed form, the right to a contingent pension, within the 90-day period immediately preceding the date upon which payment of the first instalment of the benefit commences, be payable as if the Member had elected to receive his retirement income with provision for at least 60% continuance to the Spouse after the Member's death.

3.11. Spousal Consent to Transfer

3.11.1. Spousal Consent

If the DC Member elects a transfer of his Account to a Life Income Fund, the DC Plan Administrator shall not make the transfer unless the Spouse has provided written consent to the transfer in a form acceptable under Applicable Pension Laws.

Part 4 Defined Benefit (Pacifica DB Provisions)

The provisions of this Part 4 shall apply only to Pacifica DB Members.

Benefits in respect of a Member of the Pacifica Plan whose employment ceased prior to January 1, 2004 shall be determined in accordance with the Pacifica Plan as it was constituted at the time of such cessation of employment, except as may be specifically provided herein.

Pension Benefits payable in respect of a Pacifica DB Member who ceases accrual of Continuous Service on or after January 1, 2010 other than a Member whose name appears on Appendix F, shall be payable no sooner than the date that benefits are payable under Part 3 of the Plan.

4.1. Definitions

- 4.1.1. **“Base Credited Service”** means the portion of a Pacifica DB Member's Credited Service prior to July 1, 1996 for which the Pacifica DB Member elected not to participate in Option 1, Option 2 or Option 3.
- 4.1.2. **“Contributory Credited Service”** means the total of a Pacifica DB Member's Option 1 Credited Service, Option 2 Credited Service and Option 3 Credited Service, excluding DC Credited Service.
- 4.1.3. **“Core Credited Service”** means the portion of a Pacifica DB Member's Credited Service after June 30, 1996, for which the Pacifica DB Member elected to participate in the Core Option, excluding DC Credited Service.
- 4.1.4. **“Core Option”** has the meaning set out in section 4.3.2.
- 4.1.5. **“Credited Service”** with respect to a Pacifica DB Member means the Employee's Continuous Service, expressed in years and days, as a Member of the Plan, the Pacifica Plan and the Former Plan, including:

- (a) paid leaves of absence, statutory holidays and vacation;
- (b) an unpaid leave of absence approved by the Retirement Plan Committee;
- (c) unpaid leaves of absence in respect of a period of disability during which:
 - (i) the Pacifica DB Member received short term or long term disability benefits from a plan sponsored by a Participating Company or the Former Company; or
 - (ii) the Pacifica DB Member is entitled to receive benefits under the *Workers' Compensation Act* within the 12 month period from date of injury;
- (d) any period of absence required by law to be granted in respect of maternity or Parental Leave;

provided that

- (e) in respect of periods of absence, a period of Credited Service granted under (b) or (d) above is limited to a maximum full-time equivalent of two years, and subject to Revenue Rules;
- (f) after July 1, 1978 and unless otherwise provided by the Retirement Plan Committee, Credited Service shall not include any period of employment on a non-salaried basis or lay off.

For a Pacifica DB Member who is employed on a less than full-time basis, Credited Service is determined for each Plan Year by multiplying the Credited Service determined above by the Part-Time Service factor.

At the sole discretion of the Company, Credited Service may include service with a related or prior employer provided that the Pacifica DB Member transfers from the prior pension plan to this Plan such lump sum amount as may be deemed appropriate by the Company, and provided that such amount transferred is in accordance with the Applicable Pension Laws and with Revenue Rules.

For a Pacifica DB Member who is employed outside Canada either by a Participating Company or by a company which is affiliated with a Participating Company, and who, immediately prior to leaving Canada, was employed by the Participating Company, and who is designated by the Participating Company as being subject to this paragraph, the period of his employment outside Canada with the Participating Company or the affiliated company shall be counted as Credited Service, subject to a maximum of five years of such service and to any other requirements under Revenue Rules. However, such a Pacifica DB Member who participates in a pension plan of the subsidiary or an affiliate of a Participating Company, shall cease to accrue Credited Service on the date of such transfer.

For the purposes of determining the benefits payable in accordance with Article 4.6, Credited Service shall not include DC Credited Service other than for purposes of determining the Pacifica DB Member's Earnings.

4.1.6. **"DC Credited Service"** means, for a Member who was a Pacifica DB Member on December 31, 2009, the Member's Continuous Service, on or after January 1, 2010, during which he or she participated as a DC Member under Part 3 of the Plan.

4.1.7. **"FAE(3)"** means twelve times the average of the Pacifica DB Member's Earnings during the 36 consecutive full months of Continuous Service in which the highest average is

attained, or if he has less than 36 consecutive full months of Continuous Service, during all his full months of Continuous Service.

4.1.8. **"FAE(5)"** means twelve times the average of the Pacifica DB Member's Earnings during the 60 consecutive full months of Continuous Service in which the highest average is attained, or if he has less than 60 consecutive full months of Continuous Service, during all his full months of Continuous Service.

4.1.9. **"FAPE(3)"** means twelve times the average of a Pacifica DB Member's Plan Earnings during the 36 consecutive full months of Continuous Service in which the highest average is attained, or if he has less than 36 consecutive full months of Continuous Service, during all his full months of Continuous Service.

4.1.10. **"FAPE(5)"** means twelve times the average of a Pacifica DB Member's Plan Earnings during the 60 consecutive full months of Continuous Service in which the highest average is attained, or if he has less than 60 consecutive full months of Continuous Service, during all his full months of Continuous Service.

4.1.11. **"Former Company"** means MacMillan Bloedel Limited.

4.1.12. **"Former Plan"** means the Retirement Plan for Salaried Employees of MacMillan Bloedel Limited Plan 90, or the Retirement Plan for Executive Employees of MacMillan Bloedel Limited Plan 97, and includes any registered pension plans that were predecessors of either of these plans.

4.1.13. **"Industry Benefit"** means, the rate in effect (using the table below) per year of service under the Pulp and Paper Industry Pension Plan plus \$35 per year of service under the IWA Industry Pension Plan.

Effective Date	Pulp & Paper Industry Pension Plan Benefit Rate
January 1, 2002	45.01

January 1, 2001	44.13
January 1, 2000	43.26
January 1, 1999	41.80
May 1, 1993	40.00

4.1.14. **“Option 1 Credited Service”** means the portion of a Pacifica DB Member's Credited Service that is in respect of periods of service during which the Pacifica DB Member elected to participate in Option 1, excluding DC Credited Service.

4.1.15. **“Option 2 Credited Service”** means the portion of a Pacifica DB Member's Credited Service that is in respect of periods of service during which the Pacifica DB Member elected to participate in Option 2, excluding DC Credited Service.

4.1.16. **“Option 3 Credited Service”** means the portion of a Pacifica DB Member's Credited Service that is in respect of periods of service during which the Pacifica DB Member elected to participate in Option 3, excluding DC Credited Service.

4.1.17. **“Plan Earnings”** means 65% of Earnings up to the YMPE and 100% of Earnings in excess of the YMPE.

4.1.18. **“RRSP”** means registered retirement savings plan accepted by the Minister of National Revenue for registration under the *Income Tax Act* (Canada).

4.2. Eligibility for Pacifica DB Membership

4.2.1. Pacifica DB Members on January 1, 2004

Individuals who were Members of the Pacifica Plan on December 31, 2003 and who remain Employees on January 1, 2004 shall be Pacifica DB Members.

4.2.2. Suspension of New Membership

The Plan provides that Employees who join the Plan shall join as DC Members. However, the Company reserves the right to permit Employees to become Pacifica DB Members.

4.3. Election of Benefit Options

4.3.1. Electing Benefit Options

Prior to January 1, 2002, Pacifica DB Members were permitted to participate in one of the benefit options described in this section, and were permitted to change their option at the end of each Plan Year. The provisions of a particular option apply to the period of Credited Service in which the Pacifica DB Member participates in that option.

Effective December 31, 2001, Pacifica DB Members are no longer permitted to change their benefit option. Prior to January 1, 2002, each Pacifica DB Member was offered a one-time election to change their option and the provisions of the elected option apply to Credited Service on or after January 1, 2002.

4.3.2. Core Option

For periods of a Pacifica DB Member's Credited Service for which he elected to participate in the Core Option, the Pacifica DB Member will accrue benefits under the Plan as defined in article 4.5 through article 4.9.

4.3.3. Option 1

For periods of a Pacifica DB Member's Contributory Credited Service for which he elected to participate in Option 1, the Pacifica DB Member will accrue benefits under the Plan as defined in article 4.5 through article 4.9, and as modified in Appendix C.

4.3.4. Option 2

For periods of a Pacifica DB Member's Contributory Credited Service for which he elected to participate in Option 2, the Pacifica DB Member will accrue benefits under the Plan as defined in article 4.5 through article 4.9, and as modified in Appendix D.

4.3.5. Option 3

For periods of a Pacifica DB Member's Contributory Credited Service for which he elected to participate in Option 3, the Pacifica DB Member will accrue benefits under the Plan as defined in article 4.5 through article 4.9, and as modified in Appendix E.

4.3.6. Disability Accrual Under Benefit Options

A Pacifica DB Member who, prior to commencement of benefits under a Participating Company's short term or long term disability plan, was accruing benefits under a benefit option, will cease accruing benefits under that option and will accrue benefits under the Core Option. The Pacifica DB Member will cease making contributions to the Plan during the period of disability.

4.4. Retirement Dates

A Pacifica DB Member may commence a retirement income on his Normal, Early or Postponed Retirement Date provided he has terminated employment and requested retirement income commencement prior to such date.

4.5. Pacifica DB Member Contributions

4.5.1. Pacifica DB Member Contributions

- (a) For periods of Core Credited Service, Pacifica DB Members are not required nor permitted to make contributions to the Plan.

- (b) For periods of Contributory Credited Service, Pacifica DB Members are required to make contributions to the Plan in accordance with Appendix C, D, or E, as applicable and subject to the provisions of subparagraph 8503(4)(a)(i) of the Income Tax Regulations.

4.5.2. Return of Contributions

An amount contributed by a Pacifica DB Member under section 4.5.1(b) may be refunded at any time to the Pacifica DB Member where such action is required to avoid revocation of registration of the Plan under Revenue Rules.

4.5.3. Voluntary Contributions

Pacifica DB Members are not permitted to make voluntary contributions.

4.5.4. Remittance of Pacifica DB Member Contributions

The Company shall remit to the Funding Agent, for deposit to the Fund, all sums received by the Company from a Pacifica DB Member or deducted from a Pacifica DB Member's pay, within 30 days following the month in which the sums are received or deducted.

4.6. Retirement Benefits

4.6.1. Normal Retirement Pension

A Pacifica DB Member who retires on his Normal Retirement Date shall be entitled to an annual retirement income, commencing on his Normal Retirement Date, in the amount equal to the sum of:

- (a) Pre July 1, 1996 Service Benefit

-
- (i) 2.0% of FAPE(5) multiplied by a Pacifica DB Member's years of Base Credited Service; plus
 - (ii) The benefit earned by a Pacifica DB Member in respect of his Contributory Credited Service prior to January 1, 1990, as described in Appendix C, D and E as applicable; plus
 - (iii) For a Pacifica DB Member who was a member of a Former Plan on June 30, 1996, and was employed by the Former Company on August 1, 1979, 1% of the Pacifica DB Member's FAPE(5) multiplied by his years of Early Retirement Eligibility Service prior to his enrolment in the Former Plan and prior to August 1, 1979 subject to Revenue Rules, reduced by the amount of any monthly pension benefit payable to him and attributable to Former Company contributions for the same period of service from any other Former Company sponsored pension plan.
- (b) Post June 30, 1996 Service Benefit
- (i) The greater of 2% of FAPE(5) and 1.6% of FAE(5), multiplied by a Pacifica DB Member's years of Core Credited Service; plus
 - (ii) The benefit earned by a Pacifica DB Member in respect of his Contributory Credited Service after June 30, 1996, as described in Appendix C, D and E, as applicable.
- (c) Hourly Service Benefit
- (i) In addition to the amounts described above, an additional pension is payable in respect of a Pacifica DB Member who transferred to the

Pacifica DB Plan prior to September 1, 2001 and has rendered hourly service to the Company, Pacifica or the Former Company which has been recognized under the IWA Forest Industry Pension Plan or under the Pulp and Paper Industry Pension Plan.

- (ii) For a Pacifica DB Member who was a member of a Former Plan on June 30, 1996 and was employed by the Former Company after August 1, 1979, such additional pension shall be an annual pension equal to the Industry Benefit in respect of the Pacifica DB Member's service with the Former Company on and after August 1, 1979 until the date he became a member of the Former Plan less the annual pension that is paid under the IWA Forest Industry Pension Plan or Pulp and Paper Industry Pension Plan, as applicable, in respect of the Pacifica DB Member's service with the Former Company on and after August 1, 1979 until the date he became a member of the Former Plan.
- (iii) For a Pacifica DB Member who became a member of a Former Plan or the Pacifica Plan after June 30, 1996, such additional pension shall be an annual pension equal to the Industry Benefit in respect of the Pacifica DB Member's service with the Company, Pacifica or the Former Company until the date he first became a member of the Former Plan or the Pacifica Plan less the annual pension that is paid under the IWA Forest Industry Pension Plan or Pulp and Paper Industry Pension Plan, as applicable, in respect of the Pacifica DB Member's service with the Company, Pacifica or the Former Company until the date he first became a member of the Former Plan or the Pacifica Plan.

4.6.2. Minimum Benefit

The amount of pension calculated under section 4.6.1(a)(i), 4.6.1(a)(iii) and 4.6.1(c) for service to June 30, 1996 for a Pacifica DB Member who is an Employee immediately before retiring shall not be less than \$480.00 multiplied by his years of Early Retirement Eligibility Service to June 30, 1996, subject to Revenue Rules, reduced by the amount of any pension benefit payable to him and attributable to contributions of the Former Company for the same period of service from any other pension plan sponsored by the Former Company. In no event shall the amount of the Pacifica DB Member's pension exceed 80% of the Pacifica DB Member's FAPE(5).

4.6.3. Early Retirement Pension

- (a) If a Pacifica DB Member retires after attaining age 60, other than as described in section 4.8.4, his pension shall be the pension calculated according to sections 4.6.1 and 4.6.2 payable without reduction.
- (b) If a Pacifica DB Member retires after attaining age 55, other than as described in section 4.8.4 but before attaining age 60, his pension shall be the pension calculated according to sections 4.6.1 and 4.6.2, reduced by $\frac{1}{4}$ of 1% for each month by which the pension commencement date precedes the date the Pacifica DB Member attains age 60.

4.6.4. Postponed Retirement Pension

A Pacifica DB Member who remains in the employ of the Company beyond his Normal Retirement Date will receive a pension commencing on his postponed retirement date calculated according to the formula in section 4.6.1 and 4.6.2 based on Credited Service and FAE(3), FAPE(3), FAE(5) and FAPE(5), as applicable, up to his postponed retirement date.

4.6.5. 50% Excess Benefit

- (a) In addition to the retirement benefits payable under this article 4.6, a Pacifica DB Member is entitled to a lump sum benefit equal to the excess, if any, of the Pacifica DB Member's contributions to the Plan, together with Interest over the 50% of the Commuted Value of the retirement benefits accrued to the Pacifica DB Member for Contributory Credited Service.
- (b) The Pacifica DB Member may elect to have the value of his 50% excess benefit payable in a form that is in accordance with the Applicable Pension Laws and Revenue Rules.

4.6.6. Maximum Pension

Notwithstanding any other provision of this Plan to the contrary, the annual lifetime pension payable to a Pacifica DB Member under this Plan including a pension payable under any other registered pension plan sponsored by the Company and any portion of pension payable to a Pacifica DB Member's Spouse or former Spouse pursuant to section 1.11.2, determined at time of pension commencement, shall not exceed the years of Early Retirement Eligibility Service of the Pacifica DB Member multiplied by the lesser of:

- (a) \$1,833.33 or such greater amount permitted under the *Income Tax Act*; and
- (b) 2% of the average of the Pacifica DB Member's best 3 consecutive years' compensation from the Company,

reduced, if the retirement income commencement date precedes the earliest of the day on which:

- (c) the Pacifica DB Member will attain age 60;

(d) the Pacifica DB Member's age plus Early Retirement Eligibility Service would have equalled 80; and

(e) the Pacifica DB Member would have completed 30 years of Early Retirement Eligibility Service,

by $\frac{1}{4}$ of 1% for each month by which the retirement income commencement date precedes that day, provided that no reduction applies in the case of a pension payable as a result of total and permanent disability.

For purposes of this section 4.6.6, Early Retirement Eligibility Service before January 1, 1992 is limited to 35 years.

4.6.7. **Pension Adjustment**

In no event shall the benefit accrued by a Member in a Plan Year under section 4.6.1 result in a pension adjustment for the Member (as defined by the *Income Tax Act*) or any other limits being exceeded, as required by the *Income Tax Act*.

4.6.8. **Small Benefit Commutation**

If the annual lifetime retirement income payable at the Member's Normal Retirement Date is not more than 10% of the YMPE in the year of the Member's termination of employment or the Commuted Value of the benefit is not more than 20% of the YMPE, or such other amount as may be prescribed for this purpose by the Applicable Pension Laws, and subject to the limits of the *Income Tax Act*, the Member shall receive a lump sum payment equal to the Commuted Value of the benefits to which he is entitled in full satisfaction of his entitlement to a pension.

For the purposes of determining the amount of retirement income payable to a Pacifica DB Member as provided in this section 4.6.8, all benefits payable from the Plan, including benefits derived from Parts 2, 3 and 4 of the Plan, shall be combined.

4.7. Form of Retirement Income

4.7.1. Pension Calculation According to Normal Form

The amount of retirement income to be provided to a Pacifica DB Member under article 4.6 is calculated according to the normal form of retirement income and is payable in that normal form of retirement income unless the automatic form of retirement income applies or the Pacifica DB Member elects an optional form of retirement income.

4.7.2. Normal Form of Retirement Income

- (a) The normal form of retirement income accrued in respect of Base Credited Service, Core Credited Service, the benefit under section 4.6.1(a)(iii), the benefit under section 4.6.1(c), and the benefit under section 4.6.2 is a retirement income payable in equal monthly instalments for the life of the Pacifica DB Member, and in any event for a period of not less than 60 months, commencing on the Pacifica DB Member's Retirement Date. If the Pacifica DB Member dies before receiving 60 monthly payments, the last payment shall be the payment for the month in which the Pacifica DB Member's death occurs, and his Beneficiary will receive the value of the remaining balance of the 60 payments.
- (b) The normal form of pension accrued in respect of a Pacifica DB Member's Contributory Credited Service, if any, shall be as described in Appendix C, D, or E, as applicable.

4.7.3. Member with a Spouse

(a) ***Automatic Form for a Pacifica DB Member With a Spouse***

Subject to section 4.7.2(b), for a Pacifica DB Member who has a Spouse on the date upon which pension payments commence, the retirement income must be paid as a joint and survivor annuity which is:

- (i) payable in monthly instalments for the life of the Pacifica DB Member and payable after the death of the Pacifica DB Member to the Pacifica DB Member's Spouse for life in equal monthly instalments equal to 60% of the amount payable to the Pacifica DB Member; and
- (ii) the Actuarial Equivalent of the normal form of retirement income.

(b) ***Waiver of Automatic Form of Retirement Income***

A Pacifica DB Member who has a Spouse on the date on which retirement income payments commence may elect any other form of retirement income which provides no benefit to the Spouse or a benefit to the Spouse that is less than the amount provided for in section 4.7.3(a), provided:

- (i) the Pacifica DB Member delivers to the Company, within 90 days before the Pacifica DB Member's retirement income commences, a written waiver completed by the Spouse; and
- (ii) this waiver is not revoked by the Spouse prior to the commencement of the retirement income.

4.7.4. Election of Optional Forms

In lieu of the normal form of retirement income payable according to section 4.7.2 and subject to the restriction under section 4.7.3(b), a Pacifica DB Member may elect, before pension commencement, to receive his pension benefit in one of the optional forms of pension offered by the Company.

4.7.5. Optional Forms of Pension Benefit

- (a) In lieu of the annuity prescribed by sections 4.7.2 and 4.7.3, a Pacifica DB Member may, on a written form prescribed by and filed with the Company within the 90-day period immediately preceding payment of the first instalment of the benefit, elect to receive a life annuity, the annual amount of which is increased or decreased by reason of a variation in the terms of payment. Such annuity shall be payable in the forms set out in subsections (d) and (e) and (f) and shall be in accordance with Revenue Rules and Applicable Pension Laws. The value of the benefit shall be the Actuarial Equivalent of the benefit payable under section 4.7.2. However, in no event shall any actuarial increase due to the election of an optional form cause the annual amount of the Pacifica DB Member's retirement income to exceed the maximum amount of retirement income that is applicable in accordance with the other provisions of the Plan.
- (b) If a Pacifica DB Member who has a Spouse makes an election under subsection 4.7.5(a), it shall be subject to the written approval, in prescribed form, of the Pacifica DB Member's Spouse.
- (c) An election to receive an optional form of retirement income under this section may be revoked or changed provided that either:

- (i) written notice of such revocation or change is received from the Pacifica DB Member by the Company prior to payment of the first instalment of the benefit; or
 - (ii) the Spouse under a contingent annuitant option has died prior to payment of the first instalment of the benefit.
- (d) The optional form of retirement income may be in the form of an annual retirement income payable in equal monthly instalments for the life of the Pacifica DB Member
 - (i) with the last payment due on the first day of the month in which the death of the Pacifica DB Member occurs; or
 - (ii) with the last payment due on the first day of the month in which the death of the Pacifica DB Member occurs, with a guarantee that if the Pacifica DB Member dies before 120 or 180 payments are made, as elected by the Pacifica DB Member, the remaining payments shall be paid to the Pacifica DB Member's Beneficiary.
- (e) The optional form of retirement income may be in the form of an annual retirement income payable in equal monthly instalments for the life of the Pacifica DB Member with the last payment due to the Pacifica DB Member on the first day of the month in which the death of the Pacifica DB Member occurs and 75% or 100% of this retirement income, as elected by the Pacifica DB Member, continuing to be paid to the Pacifica DB Member's Spouse commencing on the first day of the month following the month in which the death of the Pacifica DB Member occurs and ending on the first day of the month in which the death of the Pacifica DB Member's Spouse occurs.

- (f) The optional form of retirement income may be in the form of annual retirement income described in paragraphs (d) and (e), but where, for retirement income commencing prior to a Pacifica DB Member's Normal Retirement Date, the actual retirement income payable prior to the Normal Retirement Date is increased and the retirement income payable after the Normal Retirement Date is decreased with the intention of providing a level income when the Pacifica DB Member's retirement income is combined with any government pensions payable.

4.8. Termination Benefits

4.8.1. Termination Before 2 Years of Continuous Service

A Pacifica DB Member who terminates employment with a Participating Company before completing 2 years of Continuous Service is entitled to receive a lump sum refund of his required contributions, if any, made to the Plan and the Pacifica Plan, plus Interest.

4.8.2. Termination After 2 Years of Continuous Service

A Pacifica DB Member who terminates employment with a Participating Company after completing 2 years of Continuous Service is entitled to receive a deferred retirement income, commencing at his Normal Retirement Date, in the amount accrued to him under article 4.6.

4.8.3. 50% Excess Benefit

In addition to the deferred retirement income benefit under section 4.8.2, a Pacifica DB Member shall also be entitled to receive the 50% excess benefit, if any, described under section 4.6.5.

4.8.4. Early Commencement of Deferred Pension

- (a) A Pacifica DB Member who terminates employment with a Participating Company before attaining age 55, and who is entitled to receive a deferred retirement income under section 4.8.2 may elect to commence receiving his pension on the first day of any month on or following the attainment of age 55.
- (b) The amount of the pension on early retirement will be the Actuarial Equivalent of the deferred pension that would otherwise have commenced on the Normal Retirement Date of the Pacifica DB Member.

4.8.5. Transfer of Value of Deferred Pension

- (a) A Pacifica DB Member who terminates employment with a Participating Company after completing 2 years of Continuous Service, but before attaining age 55 may elect to have the Commuted Value of the deferred retirement income to which the Pacifica DB Member is entitled, together with Credited Interest:
 - (i) transferred directly on his behalf on a locked-in basis to another registered pension plan, provided that the administrator of that pension plan agrees to accept the transfer; or
 - (ii) transferred directly on his behalf on a locked-in basis to an RRSP, life income fund, or other retirement income fund as prescribed by the Applicable Pension Laws; or
 - (iii) applied to purchase a deferred life annuity under which he is the annuitant from an insurance company licensed to transact business in Canada, provided that payment of the annuity will not commence until the Pacifica DB Member has attained at least age 55.

- (iv) paid in accordance with section 4.6.8, if applicable.

Upon such a transfer or purchase, the Pacifica DB Member will cease to be a Pacifica DB Member and will have no further entitlement under the Plan.

If the Pacifica DB Member fails to make an election within 90 days of being advised of the entitlement under this section 4.8.5, the Pacifica DB Member will be deemed to have elected a deferred pension from the Plan.

- (b) The Company shall not permit a transfer or purchase under section 4.8.5 unless the Company is satisfied that the transfer or purchase complies with the requirements of the Applicable Pension Laws and Revenue Rules.
- (c) Amounts transferred in accordance with section 4.8.5(a)(i) to a defined contribution provision of a registered pension plan, and amounts transferred in accordance with section 4.8.5(a)(ii), shall not exceed the maximum amount prescribed for this purpose by Revenue Rules. The excess of the Commuted Value plus Interest, if any, over the amount transferred shall be paid to the Pacifica DB Member in cash.

4.9. Death Benefits

4.9.1. Death Benefit While An Employee

- (a) ***Death Benefit Amount***

- (i) **Death Before 2 Years of Continuous Service**

If a Pacifica DB Member dies while he is in the employment of a Participating Company before he has completed 2 years of Continuous Service, his Spouse or Beneficiary is entitled to receive a lump sum

refund of his required contributions, if any, made to the Plan with Interest.

(ii) **Death After 2 Years of Continuous Service**

If a Pacifica DB Member dies while he is in the employment of a Participating Company but after completing 2 years of Continuous Service, his Spouse or if there is no Spouse or the Spouse has waived entitlement in the prescribed form, the Pacifica DB Member's Beneficiary is entitled to receive a death benefit in an amount equal to 60% of the Commuted Value of the pension the Pacifica DB Member had accrued under article 4.6 to his date of death that would have been payable had the Pacifica DB Member terminated employment immediately prior to his death.

(b) ***Death Benefit Payable to Spouse***

The death benefit payable under section 4.9.1(a)(ii) is payable to the Pacifica DB Member's Spouse, subject to the waiver described in section 4.9.3. The Spouse may elect to receive the benefit described in section 4.9.1 in one of the following forms:

- (i) applied to provide an immediate pension or a deferred pension from the Plan commencing at any time prior to the end of the calendar year in which the Spouse attains age 71;
- (ii) transferred to the Spouse's locked-in RRSP, life income fund or any other retirement income fund as provided for in the Applicable Pension Laws;

- (iii) transferred to another registered pension plan in which the Spouse is a member; or
- (iv) applied to purchase an immediate or deferred life annuity from an insurance company licensed to transact business in Canada, provided payment of the annuity commences before the end of the calendar year in which the Spouse attains age 71.

If the Spouse fails to make an election within 90 days of being advised of the entitlement under this section, the Spouse will be deemed to have elected an immediate retirement income under section 4.9.1(b)(i).

The Spouse may elect to have the value of the 50% excess benefit, if any, payable in a form that is in accordance with the Applicable Pension Laws and the *Income Tax Act*.

(c) ***Death Benefit Payable to Non-Spouse Beneficiary***

If the Pacifica DB Member does not have a Spouse at his date of death or if there is a waiver as described in section 4.9.3, the death benefit payable under section 4.9.1(a)(ii), including the 50% excess benefit, is payable as a lump sum amount to the Pacifica DB Member's Beneficiary.

4.9.2. Death Benefit After Termination of Employment

If a Pacifica DB Member dies after his employment with the Company has terminated but before commencement of his deferred pension, a death benefit is payable to the Pacifica DB Member's Spouse or, where there is no Spouse or the Spouse has waived entitlement in the prescribed form, to his Beneficiary in an amount equal to the sum of:

- (a) the Pacifica DB Member's contributions to the Former Plan to December 31, 1974, if any, with Interest; and
- (b) 60% of the Commuted Value of the pension the Pacifica DB Member has accrued under article 4.6 for Credited Service after December 31, 1986,

The Spouse may elect to receive the above described benefit in one of the forms described in section 4.9.1(b).

4.9.3. Waiver

- (a) Any death benefit payable under this article 4.9 is payable to the Pacifica DB Member's Spouse, if any, or to the Pacifica DB Member's Beneficiary in the absence of a Spouse at the time of the Pacifica DB Member's death.
- (b) Notwithstanding section 4.9.3(a), the Spouse may waive her entitlement to the death benefit provided the Spouse completes and files with the Retirement Plan Committee a written waiver in the form prescribed by the Applicable Pension Laws.

4.9.4. Spouse's Survivor Pension Payable After Age 55

(a) *While an Employee*

If a Pacifica DB Member dies while he is in the employment of a Participating Company and after attaining age 55 but prior to commencing a retirement income, the Pacifica DB Member's Spouse is entitled to receive a retirement income equal to the greater of:

- (i) the pension benefit the Spouse would have received if the Pacifica DB Member had retired on the first day of the month in which he had died,

and had elected a joint and 60% survivor pension, taking into account all Credited Service.

- (ii) the pension that can be provided by 60% of the Commuted Value of the pension accrued by the Pacifica DB Member to his date of death that would have been payable had the Member retired immediately prior to his death, taking into account all Credited Service.

(b) *After Termination of Employment*

If a Pacifica DB Member terminates his employment with a Participating Company prior to attaining age 55 and dies after attaining age 55, but prior to commencing his deferred retirement income, the Pacifica DB Member's Spouse is entitled to receive a retirement income equal to the sum of:

- (i) the retirement income that can be provided by the Pacifica DB Member's contributions to December 31, 1974, if any, with Interest;

plus the greater of:

- (ii) the retirement income benefit payable to the Spouse if the Pacifica DB Member had commenced his retirement income, on the first day of the month in which he died and had elected a joint and 60% survivor pension, taking into account only Credited Service after December 31, 1986; and
- (iii) the retirement income that can be provided by 60% of the Commuted Value of the retirement income that would have been payable to the Pacifica DB Member, had the Pacifica DB Member commenced his

retirement income prior to his death, taking into account only Credited Service after December 31, 1986.

4.9.5. Death Benefit After Commencement of Retirement Income

Any death benefit payable upon the death of a Pacifica DB Member who has commenced to receive his retirement income is determined in accordance with the form of retirement income being paid to the Pacifica DB Member.

4.9.6. Payment of Death Benefits

Any death benefit payable in a lump sum under article 4.9 shall be paid as soon as is practicable after the death of a Pacifica DB Member.

4.9.7. Final Payment

Payment in good faith of the amounts payable pursuant to article 4.9 shall be deemed final and conclusive determination of the proper payee by the Retirement Plan Committee for the purpose of this section and no claim from persons other than such payee shall be a proper claim against the Retirement Plan Committee, Fund, Funding Agency, or the members, directors, officers, stockholders, agents or representatives of any of them.

4.10. Non-Commutability of Annuities

Subject to article 1.11, an annuity to be paid to a person under the terms of the Plan shall not be surrendered or commuted, except that:

- (a) for a Pacifica DB Member's termination of employment, death or commencement of retirement income, as the case may be:

- (i) if the annual amount of retirement income is not greater than 10% of the YMPE in the year in which the event occurs; or
- (ii) if the Commuted Value of the Pacifica DB Member's retirement income is not greater than 20% of the YMPE in the year in which the event occurs.

The person entitled to the retirement income may request the payment of his retirement income to be commuted and paid in a lump sum; and

For the purposes of determining the amount of retirement income payable to a Pacifica DB Member as provided in this subsection 4.10(a), all benefits payable from the Plan, including benefits derived from Parts 2, 3 and 4 of the Plan, shall be combined.

- (b) subject to Applicable Pension Laws, if it is established that such person has a shortened life expectancy by the submission of the written certification of a medical doctor licensed to practice in Canada, the person may elect, prior to commencement of payment of benefits under the Plan, to receive, partly or wholly in lieu of any periodic benefit payable under the Plan, any form of benefit settlement acceptable under Revenue Rules; and
- (c) retirement income required to be paid under the Plan to a Pacifica DB Member who has ceased to accrue Continuous Service and who has been absent from Canada for 2 or more years, and has become a non-resident of Canada as determined under Revenue Rules, may be commuted and paid in a lump sum at the discretion of the person entitled to the benefit, provided that the appropriate forms are completed and filed as required by Applicable Pension Laws.

The value of any such form of benefit settlement shall be the Commuted Value of

the benefit remaining to be paid. The actual transfer of the Commuted Value shall be made within 60 days of the Company receiving direction to make such transfer and all documents which are required to authorize such transfer.

4.11. Benefit Increases

4.11.1. Increases to Pensions in Payment

(a) *Authorisation*

Subject to section 4.11.1(b), the Company, may from time to time increase the amount of monthly benefits payable to retired Pacifica DB Members or other persons under the Plan as the Company may deem appropriate.

(b) *Limitation*

The aggregate percentage increase granted pursuant to section 4.11.1(a) from the date on which payments commenced shall not exceed the aggregate percentage increase in the Consumer Price Index from the date on which payments commenced.

APPENDIX A - PRIOR PLANS

A-1 Norske Skog Canada Limited Retirement Plan for Salaried Employees (the “Norske Plan”)

- (a) Participation Date – January 1, 2004;
- (b) Effective Date of Prior Plan – January 1, 1989 (This plan succeeded the plans described at A-4 and A-5);
- (c) Members transferred to the Plan – All members;
- (d) Credited Past Service of Active Members – All periods recognized as Credited Service under the Prior Plan in respect of employment prior to January 1, 2004.

A-2 Norske Skog Canada Limited Defined Benefit Retirement Plan for Former Pacifica Papers Inc. Employees (the “Pacifica Plan”)

- (a) Participation Date – January 1, 2004;
- (b) Effective Date of Prior Plan – June 8, 1998;
- (c) Members transferred to the Plan – All members;
- (d) Credited Past Service of Active Members – All periods recognized as Credited Service under the Prior Plan in respect of employment prior to January 1, 2004.

A-3 Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees Who Are Subject to Pension Benefits Legislation

- (a) Participation Date - October 1, 1996;
- (b) Effective Date of Prior Plan – July 9, 1987;
- (c) Members transferred to the Plan - All former active members, retired members, beneficiaries and vested terminated members transferred to the Norske Plan;
- (d) Credited Past Service of Active Members - All periods recognized as “Credited Service” under the Prior Plan in respect of employment prior to October 1, 1996.

A-4 Crown Forest Industries Limited Retirement Plan for Salaried Employees

- (a) Participation Date - January 1, 1989
- (b) Effective Date of Prior Plan - January 1, 1965
- (c) Members Transferred to the Plan - All former active members, retired members, beneficiaries and vested terminated members who, at the Participation Date, or at their earlier date of retirement or termination of employment, were employed in British Columbia and were not employed in “included employment” as such term is defined in section 4 of the *Pension Benefits Standards Act, 1985* (Canada) transferred to the Norske Plan.
- (d) Credited Past Service of Active Members - All continuous service with Crown Forest Industries Limited and designated subsidiaries and certain after-acquired companies, as defined within the terms of the Prior Plan.

A-5 Retirement Plan for Salaried Employees of British Columbia Forest Products Limited

- (a) Participation Date - January 1, 1989

- (b) Effective Date of Prior Plan - October 1, 1967
- (c) Members Transferred to the Plan - All former active members, and vested terminated members transferred to the Norske Plan.
- (d) Credited Past Service of Active Members - Period of membership in the Prior Plan, plus, at a reduced benefit level, all other service with the Company if the Member was a member of the Prior Plan on July 9, 1987 or transferred to the Plan from a union position between July 9, 1987 and December 31, 1988, but including service recognized under another pension plan of the Company.
- (e) Recognition of Subsidiary Company Service
 - Service with the following acquired companies is recognized for purposes of Section 2.4.2(c) and 2.4.2(d) of the Plan
 - Croftech Inc.
 - Western Forest Products Ltd.
 - Swiftsure Towing Company.
 - Service with the following acquired companies is recognized for purposes of section 1.7.1(a)
 - Acorn Forest Products Ltd.
 - Cattermole - TWT Timber Ltd.
 - Cattermole - Trethewey Contractors Ltd.
 - Croftech Inc.
 - Crown Forest Industries Limited and designated subsidiaries
 - Douglas Plywood Ltd.
 - Finlay Forest Industries Ltd.

- Fraser River Pile Driving Company Limited
- Grand Cache Forest Products Ltd.
- Nalos Lumber Ltd.
- Pinette & Therrien Mills Limited
- Swiftsure Towing Company Ltd.
- Trethewey-Wells Timber
- Trethewey Logging Company Ltd.
- Western Forest Products Ltd.

APPENDIX B - CONTRIBUTORY OPTION FOR NORSKE DB MEMBERS

The rules governing contributions to, and benefits from the Plan for Norske DB Members electing the Contributory Option for all or a portion of their Credited Future Service shall be provided under Part 2, with the exception of the following provisions:

B.1 Norske DB Member Required Contributions

In accordance with section 2.3.1, each Norske DB Member who elects the Contributory Option shall contribute by regular payroll deduction during his period of Contributory Option Credited Future Service, a percentage of his Earnings, excluding payments received by such Norske DB Member under the Participating Company's incentive compensation program, which shall be determined according to the following table:

Age	Percent
Under 30	1.0%
30 – 34	1.5%
35 – 39	2.2%
40 – 44	3.0%
45 – 49	3.7%
50 – 54	4.4%
55 or over	4.6%

A Norske DB Member who, prior to commencement of benefits under a Participating Company's short term or long term disability plan, was contributing to the Plan in accordance with section B.1 will cease making contributions to the Plan during the period of disability. The Norske DB Member shall continue to accrue benefits under the Plan during the period of disability.

B.2 Amount of Retirement Benefit

In addition to the benefits payable in accordance with article 2.4, a Norske DB Member who retires on his Normal Retirement Date shall be entitled to an annual retirement income in respect of his Contributory Credited Service, commencing on his Normal Retirement Date, in the amount equal to:

1.3% of that portion of a Norske DB Member's Best Average Earnings which is less than the YMPE Average, plus 2.0% of that portion of the Norske DB Member's Best Average Earnings which is in excess of the YMPE Average for each year of the Norske DB Member's Contributory Credited Service.

For purposes of this section B.2, the period of Credited Service used to determine Best Average Earnings shall include Contributory Credited Service and shall be thirty-six (36) consecutive complete months of Earnings, or where the Norske DB Member's Credited Service, including Contributory Credited Service, is less than thirty-six (36) complete months, the annual average of the Norske DB Member's Earnings during all complete months of Credited Service, including Contributory Credited Service.

For purposes of this section B.2, the YMPE Average is the annual average of the YMPE over the same thirty-six (36) consecutive complete months of Credited Service, including Contributory Credited Service described above.

B.3 Normal Form of Pension Benefit

(1) Norske DB Member with a Spouse

The normal form of retirement income in respect of the retirement income accrued for Contributory Credited Service for a Norske DB Member who has a Spouse on the date

pension benefits commence, is a retirement income payable in monthly instalments for the life of the Norske DB Member and payable after the Norske DB Member's death to the Norske DB Member's Spouse for her lifetime in monthly instalments equal to 60% of the amount the Norske DB Member was receiving before his death.

(2) DB Member without a Spouse

The normal form of retirement income in respect of the retirement income accrued for Contributory Credited Service for a Norske DB Member without a Spouse or the Spouse has waived entitlement in the prescribed form on the date pension benefits commence, is a retirement income payable in equal monthly instalments for the life of the Norske DB Member and in any event for a period of not less than 120 months. If the Norske DB Member dies before receiving 120 monthly payments, the last payment shall be the payment for the month in which the Norske DB Member's death occurs, and his Beneficiary will receive the Commuted Value of the remaining balance of the 120 payments.

B.4 Indexing of Pensions

Subject to Revenue Rules, the portion of the Norske DB Member's total retirement income which is in respect of Contributory Credited Service shall be increased each January 1, following the Norske DB Member's retirement by an amount equal to 2% of the retirement income payable on the previous December 31 in respect of Contributory Credited Service, with the 2% appropriately pro-rated for the first January 1 following the Norske DB Member's retirement.

B.5 50% Excess Benefit

In addition to the retirement benefits payable under this section, a Norske DB Member who elected to participate in the Contributory Option is entitled to a lump sum benefit equal to the excess, if any, of the Norske DB Member's contributions made to the Plan in accordance with

section 2.3.1 and Appendix B, together with Interest over 50% of the Commuted Value of the retirement benefits accrued to the DB Member for Contributory Credited Service.

The Norske DB Member may elect to have the value of his 50% excess benefit payable in a form that is in accordance with the Applicable Pension Laws and the Revenue Rules.

APPENDIX C - OPTION 1 FOR PACIFICA DB MEMBERS

The rules governing contributions to and benefits from the Plan for Pacifica DB Members electing Option 1 for all or a portion of their Credited Service shall be as provided under Part 4, with the exception of the following provisions:

C.1 Pacifica DB Member Required Contributions

In accordance with section 4.5.1, each Pacifica DB Member who elects Option 1 shall contribute by regular payroll deduction during his period of Option 1 Credited Service, a percentage of his Earnings, excluding payments received by such Pacifica DB Member under the Participating Company's incentive compensation program, which shall be determined according to the following table:

Age	Percent
Under 30	1.0%
30 - 34	1.5%
35 - 39	2.2%
40 - 44	3.0%
45 - 49	3.7%
50 - 54	4.4%
55 or over	4.6%

C.2 Past Service Contributions

- (1) A Pacifica DB Member may elect to make contributions to the Plan under Option 1 in respect of a period of Credited Service prior to January 1, 1990, subject to the requirements of the Applicable Pension Laws and Revenue Rules.

- (2) A Pacifica DB Member who makes an election under Section C.2(1) shall contribute to the Plan a portion of his Earnings which shall be determined based on the length of the period of Credited Service prior to January 1, 1990 in respect of which the Pacifica DB Member wishes to make contributions, multiplied by the following percentages:

Age	Percent
Under 30	1.0%
30 - 34	1.5%
35 - 39	2.2%
40 - 44	3.0%
45 - 49	3.7%
50 - 54	4.4%
55 or over	4.6%

C.3 Amount of Retirement Benefit

In accordance with section 4.6, a Pacifica DB Member who retires on his Normal Retirement Date shall be entitled to an annual retirement income in respect of his Option 1 Credited Service, commencing on his Normal Retirement Date, in the amount equal to the sum of:

- (1) 2.0% of his FAPE(3) multiplied by his years of Option 1 Credited Service prior to January 1, 1990; and
- (2) the greater of:
- (a) 2.0% of his FAPE(3) multiplied by his years of Option 1 Credited Service after June 30, 1996; or

- (b) 1.6% of his FAE(3) multiplied by his years of Option 1 Credited Service after June 30, 1996.

C.4 Normal Form of Retirement Income

(1) *Pacifica DB Member with a Spouse*

In accordance with section 4.7.2(b), the normal form of retirement income in respect of the retirement income accrued for Option 1 Credited Service for a Pacifica DB Member who has a Spouse, who has not waived entitlement in the prescribed form, on the date retirement income commences, is a retirement income payable in monthly instalments for the life of the Pacifica DB Member and payable after the Pacifica DB Member's death to the Pacifica DB Member's Spouse for her lifetime in monthly instalments equal to 60% of the amount the Pacifica DB Member was receiving before his death.

(2) *Pacifica DB Member without a Spouse*

In accordance with section 4.7.2(b), the normal form of retirement income in respect of the retirement income accrued for Option 1 Credited Service for a Pacifica DB Member without a Spouse on the date retirement income commences, is a retirement income payable in equal monthly instalments for the life of the Pacifica DB Member and in any event for a period of not less than 120 months. If the Pacifica DB Member dies before receiving 120 monthly payments, the last payment shall be the payment for the month in which the Pacifica DB Member's death occurs, and his Beneficiary will receive the value of the remaining balance of the 120 payments.

C.5 Indexing of Pensions

Subject to Revenue Rules, the portion of the Pacifica DB Member's total retirement income which is in respect of Option 1 Credited Service shall be increased each January 1, following the Pacifica DB Member's retirement by an amount equal to 2% of the retirement income payable on the previous December 31 in respect of Option 1 Credited Service, with the 2% appropriately pro-rated for the first January 1 following the Pacifica DB Member's retirement.

APPENDIX D - OPTION 2 FOR PACIFICA DB MEMBERS

The rules governing contributions to and benefits from the Plan for Pacifica DB Members electing Option 2 for all or a portion of their Credited Service shall be as provided under Part 4, with the exception of the following provisions:

D.1 Pacifica DB Member Required Contributions

In accordance with section 4.5.1, each Pacifica DB Member who elects Option 2 shall contribute by regular payroll deduction during his period of Option 2 Credited Service, a percentage of his Earnings, excluding payments received by such Pacifica DB Member under the Participating Company's incentive compensation program, which shall be determined according to the following table:

Age	Percent
Under 30	0.5%
30 - 34	1.0%
35 - 39	1.2%
40 - 44	1.6%
45 - 49	2.0%
50 - 54	2.2%
55 or over	2.4%

D.2 Past Service Contributions

- (1) A Pacifica DB Member may elect to make contributions to the Plan under Option 2 in respect of a period of Credited Service prior to January 1, 1990, subject to the requirements of the Applicable Pension Laws and Revenue Rules.

- (2) A Pacifica DB Member who makes an election under Section D.2(1) shall contribute to the Plan a portion of his Earnings which shall be determined based on the length of the period of Credited Service prior to January 1, 1990 in respect of which the Pacifica DB Member wishes to make contributions, multiplied by the following percentages:

Age	Percent
Under 30	0.5%
30 - 34	1.0%
35 - 39	1.2%
40 - 44	1.6%
45 - 49	2.0%
50 - 54	2.2%
55 or over	2.4%

D.3 Amount of Retirement Benefit

In accordance with section 4.6, a Pacifica DB Member who retires on his Normal Retirement Date shall be entitled to an annual retirement income in respect of his Option 2 Credited Service, commencing on his Normal Retirement Date, in the amount equal to 2.0% of his FAE(5) multiplied by his years of Option 2 Credited Service.

APPENDIX E - OPTION 3 FOR PACIFICA DB MEMBERS

The rules governing contributions to and benefits from the Plan for Pacifica DB Members electing Option 3 for all or a portion of their Credited Service shall be as provided under Part 4, with the exception of the following provisions:

E.1 Pacifica DB Member Required Contributions

In accordance with section 4.5.1, each Pacifica DB Member who elects Option 3 shall contribute by regular payroll deduction during his period of Option 3 Credited Service a percentage of his Earnings, excluding payments received by such Pacifica DB Member under the Participating Company's incentive compensation program, which shall be determined according to the following table:

Age	Percent
Under 30	2.0%
30 - 34	3.0%
35 - 39	4.0%
40 - 44	5.3%
45 - 49	6.3%
50 - 54	7.3%
55 or over	7.8%

E.2 Past Service Contributions

- (1) A Pacifica DB Member may elect to make contributions to the Plan under Option 3 in respect of a period of Credited Service prior to January 1, 1990, subject to the requirements of the Applicable Pension Laws and Revenue Rules.

- (2) A Pacifica DB Member who makes an election under Section E.2(1) shall contribute to the Plan a portion of his Earnings which shall be determined based on the length of the period of Credited Service prior to January 1, 1990 in respect of which the Pacifica DB Member wishes to make contributions, multiplied by the following percentages:

Age	Percent
Under 30	2.0%
30 - 34	3.0%
35 - 39	4.0%
40 - 44	5.3%
45 - 49	6.3%
50 - 54	7.3%
55 or over	7.8%

E.3 Amount of Retirement Benefit

In accordance with section 4.6, a Pacifica DB Member who retires on his Normal Retirement Date shall be entitled to an annual retirement income in respect of his Option 3 Credited Service, commencing on his Normal Retirement Date, in the amount equal to 2.0% of his FAE(3) multiplied by his years of Option 3 Credited Service.

E.4 Normal Form of Pension Benefit

(1) *Pacifica DB Member with a Spouse*

In accordance with section 4.7.2(b), the normal form of retirement income in respect of the retirement income accrued for Option 3 Credited Service for a Pacifica DB Member

who has a Spouse, who has not waived entitlement in the prescribed form, on the date retirement income commences, is a retirement income payable in monthly instalments for the life of the Pacifica DB Member and payable after the Pacifica DB Member's death to the Pacifica DB Member's Spouse for her lifetime in monthly instalments equal to 60% of the amount the Pacifica DB Member was receiving before his death.

(2) *Pacifica DB Member without a Spouse*

In accordance with section 4.7.2(b), the normal form of retirement income in respect of the retirement income accrued for Option 3 Credited Service, for a Pacifica DB Member without a Spouse on the date retirement income commences, is a retirement income payable in equal monthly instalments for the life of the Member and in any event for a period of not less than 120 months. If the Pacifica DB Member dies before receiving 120 monthly payments, the last payment shall be the payment for the month in which the Pacifica DB Member's death occurs, and his Beneficiary will receive the value of the remaining balance of the 120 payments.

E.5 Indexing of Pensions

Subject to Revenue Rules, the portion of the Pacifica DB Member's total retirement income which is in respect of Option 3 Credited Service shall be increased each January 1, following the Pacifica DB Member's retirement by an amount equal to 2% of the pension payable on the previous December 31 in respect of Option 3 Credited Service, with the 2% appropriately pro-rated for the first January 1 following the Pacifica DB Member's retirement.

APPENDIX F – MEMBERS ON SALARY CONTINUANCE AND WORKING NOTICE

F.1 Norske DB Members

The following Members have been identified by the Company as Members on salary continuance or working notice as of December 31, 2009 and shall continue to accrue DB Pension Benefits under Part 2 of the Plan from January 1, 2010 until the end of his or her salary continuance or working notice period:

Employee Number	Name	Salary Continuance or Working Notice End Date
12056	Lyn Chorney	May 31, 2011
2171	Wes Douglas	January 31, 2011
4597	Thomas Larnie	March 31, 2010
11138	Robert Tukham	June 18, 2011
93138	Charles Vincent	March 18, 2011
12007	Tim Beasley	June 30, 2010
3939	Charlie Bergen	June 18, 2011
15525	Leslie Closson	October 1, 2010
4185	Tim Kasdorf	April 30, 2010
92201	John Kroek	June 18, 2011
5138	Angus Mackay	June 30, 2010
5432	Neil McCoy	March 3, 2011
74866	Daniel Paddle	January 31, 2010
5694	Douglas Thorarinson	January 31, 2010
4908	Andrew Tkacz	September 30, 2010

F.2 DC Members

The following Members have been identified by the Company as Members on salary continuance or working notice as of December 31, 2009 and the Company shall, for each of these members, make a contribution of 7% of the DC Member's monthly Earnings under Part 3 of the Plan in respect of service on and after January 1, 2010 until the end of his or her salary continuance or working notice period:

Employee Number	Name	Salary Continuance or Working Notice End Date
6995	Michael Arndt	February 28, 2010
264	Judith Avery	March 31, 2010
7011	Lillian Aydon	April 30, 2011
30940	Gina Bain	February 28, 2010
1348	Leonard Bonar	June 18, 2011
999998	Carolyn Braun	January 31, 2010
6417	Ron Buchhorn	May 31, 2010
5733	Douglas Cage	April 18, 2011
5962	Michael Cage	January 28, 2010
4317	Robin Clark	January 12, 2010
160721	Derek Cole	June 30, 2010
6418	Eric Cyr	May 3, 2011
4493	Daryl Ehrstien	January 19, 2011
5634	Fadine Farahani	March 15, 2010
3648	Scott Head	June 18, 2011
6366	Paul Hiltunen	March 18, 2011
1579	Diana Ikona	February 28, 2010

Employee Number	Employee Name	Termination Date
3964	Gerry Jackson	September 30, 2010
1648	Gary Janovick	July 3, 2011
5647	Hilaire Jedwab	September 20, 2010
459859	Hugh Kingwell	August 23, 2010
4135	Michel Larocque	February 28, 2011
7069	Donald Lashta	February 28, 2010
5050	Robert Lewis	September 30, 2010
5331	Roy Lightfoot	March 31, 2011
526913	Diane Louke	March 12, 2010
6655	Stuart Mason	March 31, 2010
6558	Don McKendrick	February 28, 2010
16	Martin Montgomery	January 31, 2011
7081	Wayne Niemi	June 30, 2010
6370	David Nordman	June 18, 2011
4607	Keith Nysten	April 18, 2011
1380	Edna Parks	April 3, 2011
5833	Doug Pearse	September 30, 2010
5810	Dean Petersen	August 31, 2010
1640	Ronald Pickard	November 19, 2010
5789	Martin Ravenstein	March 31, 2010
4320	Terrence Reid	July 3, 2011
13067	Cindy Richardson	January 9, 2010
2334	Lise Rodgers	March 31, 2010

Employee Number	Name	Salary Continuance or Working Notice End Date
2266	Mike Staiger	April 30, 2010
1731	Christine Stewart	February 18, 2011
14012	Yuefeng Raymond Sun	January 31, 2010
1518	Kenneth Swain	January 16, 2011
3155	Judy Thorarinson	January 19, 2011
5941	Stephen Veitch	July 3, 2011
935593	Douglas Walker	February 28, 2010

F.3 Pacifica DB Members

The following Members have been identified by the Company as Members on salary continuance or working notice as of December 31, 2009 and shall continue to accrue DB Pension Benefits under Part 4 of the Plan from January 1, 2010 until the end of his or her salary continuance or working notice period:

Employee Number	Name	Salary Continuance or Working Notice End Date
13888	Richard Anderson	August 31, 2010
177709	Ronald Crema	January 31, 2011
253708	Darlene Fair	September 30, 2010
387415	Brad Holland	December 9, 2010
765966	Bill Robson	June 8, 2011
780619	Don Rushant	September 13, 2010
183392	Jean Culos	August 31, 2010
208678	Kevin deWynter	March 31, 2011
515494	Joanne Lichty	March 31, 2011

Employee Number	Employee Name	Salary Continuation or Voluntary Retirement Election
705814	Andy Perkonig	June 30, 2010
870147	Willem Stroomer	April 30, 2010
989905	Charlene Yeo	July 31, 2010
265454	David Fisher	March 31, 2011
603670	Robert Mason	June 18, 2011
169268	Maria McIlveen	May 5, 2011
632687	Douglas Monk	December 9, 2010



Financial Institutions
Commission

NOTICE OF REGISTRATION
OF AMENDMENT

154

Mr. Paul Einarson
Catalyst Paper Corporation
3600 Lysander Lane
Richmond, BC V7B 1C3

Plan Registration Number

P085400-1

CRA Number

0212076

Name of Plan

Catalyst Paper Corporation Retirement Plan for Salaried Employees

Please be advised that Amendment #2011-01 effective May 5, 2011, relating to the above pension plan is hereby registered under the *Pension Benefits Standards Act*.

Administrator

Catalyst Paper Corporation

Date of Issue

June 13, 2011

Michael J. Peters
Executive Director, Pensions

– PLEASE ATTACH THIS "NOTICE" TO YOUR "CERTIFICATE OF REGISTRATION" –

pc: Jaime Omichinski, Towers watson

This is Exhibit "D" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 1st day of June 2012

A Commissioner for taking Affidavits
within British Columbia

RECEIVED

MAY 19 2011

FINANCIAL INSTITUTIONS
PLAN COMMISSION

**THE CATALYST PAPER CORPORATION RETIREMENT PLAN
FOR SALARIED EMPLOYEES**

**CERTIFICATE OF AMENDMENT
#2011-01**

AMENDMENT

JUN 13 2011

WHEREAS:

REGISTERED

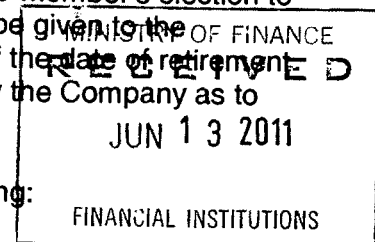
1. Catalyst Paper Corporation (the "Company") sponsors the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "Plan");
2. The Plan is registered with the Canada Revenue Agency under registration no. 0212076 and with the British Columbia Superintendent of Pensions under registration no. P85400.
3. The Company wishes to amend the plan to remove the age and service requirement relating to the option for DC plan members to maintain their DC accounts in the Plan following retirement or termination of employment.
4. Pursuant to section 1.12.1 of the Plan, the Company reserved the right to amend the Plan.
5. Pursuant to section 1.12.1 of the Plan, an amendment to the Plan may be made by the execution of a certificate of amendment by two officers of the Company who are also members of the Retirement Plan Committee, provided the Committee first approves the wording of the amendment.

NOW THEREFORE BE IT RESOLVED THAT the following amendments are made to the Plan, effective May 5, 2011:

1. Section 3.5.4 shall be deleted and replaced with the following:

"3.5.4 Notwithstanding section 3.5.3, a DC Member may elect to maintain the Account and continue to be treated as a DC Member until such time as the Member makes an election as described in section 3.5.3, but not later than the first day of December in the calendar year in which the DC Member attains age 71. Notice of the DC Member's election to remain a DC Member following retirement shall be given to the Company not later than 60 days after the later of the date of retirement of the DC Member and the date of notification by the Company as to the DC Member's options."

2. Section 3.6.4 shall be deleted and replaced with the following:



"3.6.4 Notwithstanding section 3.6.3, a DC Member may elect to maintain the Account and continue to be treated as a DC Member until such time as the Member makes an election as described in section 3.6.3, but not later than the first day of December in the calendar year in which the DC Member attains age 71. Notice of the DC Member's election to remain a DC Member following termination shall be given to the Company not later than 60 days after the later of the date of termination of the DC Member and the date of notification by the Company as to the DC Member's options."

3. Section 3.7.3 shall be deleted and replaced with the following:

"3.7.3 Notwithstanding section 3.7.2, a DC Member's Spouse may elect to maintain the Account and to be treated as a DC Member for the purposes of article 3.4 until such time that the DC Member's Spouse makes an election as described in section 3.7.2 or until the first day of December of the calendar year in which the deceased DC Member would have attained age 71, or until the first day of December of the calendar year in which the Spouse attains age 71, whichever first occurs. Notice of the DC Member's Spouses's election shall be given to the Company not later than 60 days after the date of notification of the DC Member's Spouse by the Company as to the DC Member's Spouse's options."

We, Steve Boniferno and Brian Baarda respectively the Senior Vice-President, Human Resources and the Vice-President, Finance and Chief Financial Officer of Catalyst Paper Corporation, certify this to be a true copy of a resolution approved by the Retirement Plan Committee on the 5th day of May, 2011.

DATED AT RICHMOND, BC, this 5th day of May, 2011.


Steve Boniferno


Brian Baarda

RECEIVED

MAY 19 2011

FINANCIAL INSTITUTIONS
COMMISSION

Form 1

(section 19 (2))

CERTIFICATION

Administrators are required to certify that applications for registration of pension plans, restated plan texts or plan amendments comply with the provisions of the Pension Benefits Standards Act, R.S.B.C. 1996, c. 352, (the "Act") and the regulations under the Act. Where a pension plan covers members in jurisdictions within Canada other than British Columbia, the administrator is also required to certify that the applications comply with the provisions of the pension legislation of those other jurisdictions. The issuance by the Superintendent of Pensions (the "superintendent") of a Certificate of Registration for a pension plan registered under the Act or Notice of Registration for a restated plan text or an amendment to a pension plan registered under the Act will be made based upon this certification. Administrators are reminded that the superintendent has the power to refuse to register or to revoke any registration that does not comply with the Act and the regulations.

I Brian Baarda, the administrator
(or in the case of a corporate administrator, an authorized officer of the administrator) of
Catalyst Paper Corporation Retirement Plan for Salaried Employees, attach an application for
registration of a pension plan a restated plan text or other amendments, dated
May 5, 2011 [date], for the pension plan bearing British
Columbia registration number P085400, and

CERTIFY AS FOLLOWS:

- 1 I am satisfied that the pension plan or amendment filed herewith complies with the provisions of the Act, the regulations, and the terms of any existing pension plan and trust.
- 2 I acknowledge that the obligation to determine compliance of the documents filed herewith is the responsibility of the administrator and I declare that I have fulfilled that responsibility and have complied with the provisions of the Act and the regulations in making this application.
- 3 I acknowledge that this certification extends to compliance with the pension legislation of designated jurisdictions within Canada, other than British Columbia, where the legislation of the designated jurisdictions applies to members and former members of the pension plan.

I declare that the above statements are true to the best of my knowledge and belief and I am making this certification conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

DATED at the City of Richmond, May 5, 2011 [date].

Brian Baarda

Signature of administrator or authorized officer

Brian Baarda

Name of administrator or authorized officer (printed)

AMENDMENT

JUN 13 2011

REGISTERED

NOTE: It is an offence to administer a pension plan or pension fund in a manner that does not comply with the provisions of the Act and the regulations. In addition, an administrator may be subject to a direction under the Act issued by the superintendent relating to, amongst other matters, the manner of administration of the pension plan or pension fund.



Financial Institutions
Commission

NOTICE OF REGISTRATION
OF AMENDMENT

158

Mr. Paul Einarson
Catalyst Paper Corporation
3600 Lysander Lane
Richmond, BC V7B 1C3

Plan Registration Number

P085400-1

CRA Number

0212076

Name of Plan

Catalyst Paper Corporation Retirement Plan for Salaried Employees

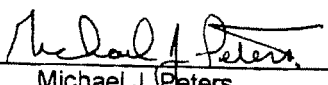
Please be advised that Amendment #2011-02 effective September 1, 2011 relating to the above pension plan is hereby registered under the *Pension Benefits Standards Act*.

Administrator

Catalyst Paper Corporation

Date of Issue

March 2, 2012


Michael J. Peters
Executive Director, Pensions

-- PLEASE ATTACH THIS "NOTICE" TO YOUR "CERTIFICATE OF REGISTRATION" --

pc: Jaime Omichinski, Towers Watson

MINISTRY OF FINANCE
RECEIVED

FEB 03 2012

FINANCIAL INSTITUTIONS
COMMISSION

**CATALYST PAPER CORPORATION RETIREMENT PLAN
FOR SALARIED EMPLOYEES**

CERTIFICATE OF RESOLUTION OF THE BOARD OF DIRECTORS

AMENDMENT #2011-02

WHEREAS:

- A. Catalyst Paper Corporation (the "Company") sponsors the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "Plan").
- B. The Plan is registered with the Canada Revenue Agency under registration no. 0212076 and with the British Columbia Superintendent of Pensions under registration no. P85400.
- C. The Company, through its Board of Directors, established the Retirement Plan Committee (the "Committee") to act on behalf of the Company as the administrator of the Plan, as described in Section 1.14 of the Plan.
- D. Effective September 1, 2011, the Company amended the Terms of Reference of the Committee to clarify the duties of the Committee and the Audit Committee and to change the name of the Committee to the Pension Administrative Committee.
- E. The Company wishes to amend the Plan to reflect the change of name of the Committee and make related amendments designed to clarify the roles of the Committee in relation to the roles of the Company.
- F. The Company wishes to amend the Plan to reflect the responsibilities and the duties of the Committee outlined in the amended Terms of Reference.
- G. Pursuant to Section 1.12.1 of the Plan, the Company reserved the right to amend the Plan.
- H. Pursuant to Section 1.12.1 of the Plan, an amendment to the Plan may be made by the adoption of a resolution by the Board of Directors of the Company.

NOW THEREFORE BE IT RESOLVED THAT:

The following amendments are made to the Plan, effective September 1, 2011:

- 1. Section 1.4.2 "Actuary" is hereby amended by replacing "Company" with "Administrator".
- 2. A new section 1.4.3 is hereby added as follows, and the subsequent sections are renumbered accordingly:

"1.4.3 **"Administrator"** means the administrator of the Plan as the term is defined in Applicable Pension Laws and Revenue Rules.

AMENDMENT

MAR 02 2012

REGISTERED 4563957.4

The Administrator shall be the Company, until such time as a successor administrator may be appointed in accordance with Applicable Pension Laws and the Revenue Rules.

Notwithstanding the foregoing, in each case where the terms of this Plan require or permit the Administrator to perform a function or make a decision, such function may be performed and such decision may be made by the Pension Administrative Committee acting within the duties assigned to it by the Company in such Committee's Terms of Reference."

3. Section 1.4.5 "Board" (now renumbered 1.4.6) is hereby deleted and replaced with the following:

"1.4.6 **"Board"** means the Board of Directors of the Company, and includes a committee of the Board acting within authority properly delegated to it by the full Board of Directors."
4. Section 1.4.20 "Funding Agency" (now renumbered 1.4.21) is hereby amended by replacing "Company" with "Administrator".
5. Section 1.4.21 "Funding Agreement" (now renumbered 1.4.22) is hereby amended by replacing "Company" with "Administrator".
6. A new section 1.4.36 is hereby added as follows, and the subsequent sections are renumbered accordingly:

"1.4.36 **"Pension Administrative Committee"** means the committee that was established by the Board to act on behalf of the Company in the performance of the Company's Plan administrator functions, as further described in its Terms of Reference."
7. Section 1.4.40 "Reciprocal Agreement" (now renumbered 1.4.42) is hereby amended by replacing "Company" with "Administrator".
8. Section 1.4.42 "Retirement Plan Committee" is hereby deleted, and the subsequent sections are renumbered accordingly.
9. Section 1.6.1 is hereby amended by replacing all occurrences of "Company" with "Administrator".
10. Section 1.8.3 is hereby amended by replacing "Company" with "Administrator".
11. Section 1.9.1 is hereby amended by replacing "Retirement Plan Committee" with "Administrator".

12. Section 1.9.4(b) is hereby amended by replacing all occurrences of "Company" with "Administrator".
13. Section 1.10.1 is hereby amended by replacing all occurrences of "Company" with "Administrator".
14. Section 1.10.2 is hereby amended by replacing "Company" with "Administrator".
15. Section 1.11.3 is hereby amended by replacing all occurrences of "Company" with "Administrator".
16. Section 1.12.1 is hereby deleted and replaced with the following:

"1.12.1 Amendment

The Company expects to continue the Plan indefinitely, but nevertheless reserves the right to:

- (a) amend the Plan,
- (b) terminate the Plan, or
- (c) merge or consolidate the Plan with any other registered pension plan adopted by the Board,

provided that no such action shall adversely affect any benefit accrued immediately prior to the time such action is taken, except as provided in section 1.12.2. The accrued benefits will be computed using as the applicable Date of Determination, the earliest of the date the Member ceases to accrue Continuous Service and the date of the amendment, termination, merger or consolidation of the Plan as applicable.

Any amendment to the Plan shall be made by adoption of a resolution of the Board.

A copy of each amendment shall be provided forthwith to each of the Participating Companies."

17. Section 1.12.3 is hereby amended by replacing "The Company shall" with "The Administrator shall".
18. Section 1.12.8 is hereby deleted.
19. Section 1.12.9 is hereby deleted.

20. Section 1.13.1 is hereby amended by replacing "the Participating Company" and "a Participating Company" with "the Administrator".
21. Section 1.13.2 is hereby amended by replacing all occurrences of "Participating Company" with "Administrator".
22. Section 1.13.3 is hereby amended by replacing all occurrences of "Company" with "Administrator".
23. Section 1.13.4 is hereby amended by replacing "Company" with "Administrator".
24. Section 1.13.5 is hereby amended by replacing "Retirement Plan Committee" with "Pension Administrative Committee".
25. Section 1.14.1 is hereby deleted and replaced with the following:

"1.14.1 Establishment of the Pension Administrative Committee"

The Company shall be the "administrator" of the Plan as that term is defined in Applicable Pension Laws and the Revenue Rules until such time as a successor administrator may be appointed in accordance with Applicable Pension Laws and the Revenue Rules. To facilitate the effective management of the Plan, the Pension Administrative Committee has been established and empowered to act in a fiduciary capacity as if it were the administrator."

26. Section 1.14.2 is hereby deleted and replaced with the following:

"1.14.2 Administrative Functions"

The Pension Administrative Committee shall exercise or supervise the exercise of the duties and functions allocated to it as described in its Terms of Reference."

27. Section 1.14.3 is hereby amended by replacing "Retirement Plan Committee" with "Pension Administrative Committee".
28. Section 1.14.4 is hereby amended by replacing "Retirement Plan Committee" with "Pension Administrative Committee".
29. Section 1.14.6 is hereby amended by replacing all occurrences of "Retirement Plan Committee" with "Administrator".
30. Section 1.14.8 is hereby amended by replacing "Retirement Plan Committee" with "Pension Administrative Committee".

31. Section 2.7.2 is hereby amended by replacing "Company" with "Administrator".
32. Section 2.7.3(a) is hereby amended by replacing "Company" with "Administrator".
33. Section 2.7.3(c)(i) is hereby amended by replacing "Company" with "Administrator".
34. Section 2.7.4 is hereby amended by in the last paragraph by replacing "Company" with "Administrator".
35. Section 2.8.5(b) is hereby amended by replacing "Company" with "Administrator".
36. Section 2.8.5(e) is hereby amended by replacing "Company" with "Administrator".
37. Section 2.9.3(a) is hereby amended by replacing "Company" with "Administrator".
38. Section 2.9.3(b) is hereby amended by replacing "Company" with "Administrator".
39. Section 2.9.4 is hereby amended by replacing "section 1.4.15" with "the definition of "Early Retirement Date".
40. Section 3.1.1 "Account" is hereby amended by replacing "Company" with "Administrator".
41. Section 3.1.2 "DC Plan Administrator" is hereby amended by replacing "Company" with "Administrator".
42. Section 3.4.2 is hereby amended by replacing "Company" with "Administrator".
43. Section 3.5.2(c) is hereby amended by replacing "Company" with "Administrator".
44. Section 3.5.4 is hereby amended by replacing all occurrences of "Company" with "Administrator".
45. Section 3.5.5 is hereby amended by replacing "Company" with "Administrator".
46. Section 3.6.1(d) is hereby amended by replacing "Company" with "Administrator".
47. Section 3.6.2(b) is hereby amended by replacing "Company" with "Administrator".
48. Section 3.6.4 is hereby amended by replacing all occurrences of "Company" with "Administrator".
49. Section 3.6.5 is hereby amended by replacing "Company" with "Administrator".
50. Section 3.7.1(c)(i) is hereby amended by replacing "Company" with "Administrator".
51. Section 3.7.1(c)(ii) is hereby amended by replacing "Company" with "Administrator".

52. Section 3.7.3 is hereby amended by replacing all occurrences of "Company" with "Administrator".
53. Section 3.7.4 is hereby amended by replacing "Company" with "Administrator".
54. Section 3.8.1(a) is hereby amended by replacing "Company" with "Administrator".
55. Section 3.9.1 is hereby amended by inserting ", the Pension Administrative Committee" after the words "the Participating Company".
56. Section 4.1.5(b) is hereby amended by replacing "Retirement Plan Committee" with "Administrator".
57. Section 4.1.5(f) is hereby amended by replacing "Retirement Plan Committee" with "Administrator".
58. Section 4.7.3(b)(i) is hereby amended by replacing "Company" with "Administrator".
59. Section 4.7.4 is hereby amended by replacing "by the Company" with "under the Plan".
60. Section 4.7.5(a) is hereby amended by replacing "Company" with "Administrator".
61. Section 4.7.5(c)(i) is hereby amended by replacing "Company" with "Administrator".
62. Section 4.8.5(b) is hereby amended by replacing all occurrences of "Company" with "Administrator".
63. Section 4.9.3 is hereby deleted and replaced with the following:

"4.93 Waiver

Any death benefit payable under this article 4.9 is payable to the Pacifica DB Member's Spouse, or if there is no Spouse or the Spouse has waived entitlement in the prescribed form, the Pacifica DB Member's Beneficiary, at the time of the Pacifica DB Member's death."

64. Section 4.9.7 is hereby deleted and replaced with the following:

"4.9.7 Final Payment

Payment in good faith of the amounts payable pursuant to article 4.9 shall be deemed final and conclusive determination that the payment was properly made to the proper payee, and no claim from persons other than such payee shall be a proper claim against the Company, Pension Administrative Committee, Fund, Funding Agency, or the members, directors, officers, stockholders, agents or representatives of any of them."

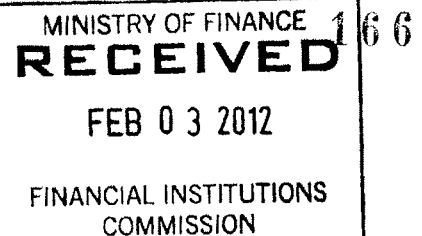
65. Section 4.10(c) is hereby amended in the last paragraph by replacing "Company" with "Administrator".

I, David Adderley, Secretary of Catalyst Paper Corporation, hereby certify the foregoing resolution of the Catalyst Paper Corporation Retirement Plan for Salaried Employees was adopted by the Board of Directors of Catalyst Paper Corporation at its meeting of 6th day of December, 2011.

DATED AT RICHMOND, BC, this 6th day of December, 2011.



David Adderley



Form 1

(section 19 (2))

CERTIFICATION

Administrators are required to certify that applications for registration of pension plans, restated plan texts or plan amendments comply with the provisions of the Pension Benefits Standards Act, R.S.B.C. 1996, c. 352, (the "Act") and the regulations under the Act. Where a pension plan covers members in jurisdictions within Canada other than British Columbia, the administrator is also required to certify that the applications comply with the provisions of the pension legislation of those other jurisdictions. The issuance by the Superintendent of Pensions (the "superintendent") of a Certificate of Registration for a pension plan registered under the Act or Notice of Registration for a restated plan text or an amendment to a pension plan registered under the Act will be made based upon this certification. Administrators are reminded that the superintendent has the power to refuse to register or to revoke any registration that does not comply with the Act and the regulations.

I GERRIE KOTZE, the administrator
(or in the case of a corporate administrator, an authorized officer of the administrator) of
CATALYST PAPER CORPORATION RETIREMENT PLAN FOR SALARIED EMPLOYEES, attach an application for
registration of a pension plan a restated plan text or other amendments, dated
DEC 6, 2011 [date], for the pension plan bearing British
Columbia registration number P085400, and

CERTIFY AS FOLLOWS:

- 1 I am satisfied that the pension plan or amendment filed herewith complies with the provisions of the Act, the regulations, and the terms of any existing pension plan and trust.
- 2 I acknowledge that the obligation to determine compliance of the documents filed herewith is the responsibility of the administrator and I declare that I have fulfilled that responsibility and have complied with the provisions of the Act and the regulations in making this application.
- 3 I acknowledge that this certification extends to compliance with the pension legislation of designated jurisdictions within Canada, other than British Columbia, where the legislation of the designated jurisdictions applies to members and former members of the pension plan.

I declare that the above statements are true to the best of my knowledge and belief and I am making this certification conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

DATED at the City of RICHMOND, DEC 6, 2011 [date].

GK
Signature of administrator or authorized officer

GERRIE KOTZE
Name of administrator or authorized officer (printed)

AMENDMENT

MAR 02 2012

REGISTERED

NOTE: It is an offence to administer a pension plan or pension fund in a manner that does not comply with the provisions of the Act and the regulations. In addition, an administrator may be subject to a direction under the Act issued by the superintendent relating to, amongst other matters, the manner of administration of the pension plan or pension fund.



Financial Institutions
Commission

NOTICE OF REGISTRATION
OF AMENDMENT

167

Mr. David Adderley
Catalyst Paper Corporation
3600 Lysander Lane
Richmond, BC V7B 1C3

Plan Registration Number

P085400-1

CRA Number

0212076

Name of Plan

Catalyst Paper Corporation Retirement Plan for Salaried Employees

Please be advised that amendment effective May 24, 2012 relating to the above pension plan is hereby registered under the *Pension Benefits Standards Act*.

Administrator

Catalyst Paper Corporation.

Date of Issue

May 25, 2012

Michael J. Peters
Executive Director, Pensions

— PLEASE ATTACH THIS "NOTICE" TO YOUR "CERTIFICATE OF REGISTRATION" —

pc: Ken Burns, Lawson Lundell LLP

CATALYST PAPER CORPORATION (the "Company")

**CERTIFICATE OF RESOLUTION OF
THE BOARD OF DIRECTORS
(the "Board")**

**WHEREAS:**

- A. The Company sponsors and administers the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "**Plan**");
- B. The Plan is governed by the *Pension Benefits Standards Act* (British Columbia) and the *Income Tax Act* (Canada), and is registered accordingly with the British Columbia Superintendent of Pensions and the Canada Revenue Agency;
- C. Pursuant to Section 1.12.1 of the Plan and subject to the limitations therein, the Company reserves the right to amend the Plan, and may do so by adoption of a resolution of the Board;
- D. On January 31, 2012, Mr. Justice Sewell of the Supreme Court of British Columbia made an order declaring that the Company is a company to which the *Companies' Creditors Arrangement Act* (CCAA) applies;
- E. As a result of the continuing CCAA proceedings, the Company now wishes to amend the Plan to confirm that all plan members and surviving spouse, including members over age fifty-five and those members and surviving spouses already in receipt of retirement income from the Plan, may exercise portability in respect of the accrued value of the retirement income on Plan termination.

NOW THEREFORE BE IT RESOLVED THAT the following amendment to the Plan shall become effective upon the day following the date of the creditors' meetings held for the purposes of approving the Company's proposed plan of arrangement under the CCAA if the plan of arrangement is not approved at those creditors' meetings:

The first paragraph of Section 1.12.6 of the Plan is deleted and replaced with the following:

Despite articles 1.11 and 4.10, section 2.7.4 and any other provision of the Plan to the contrary, for the purposes of section 1.12.4 on a discontinuance of the Plan, each Member, including for certainty, a Member over the age of fifty-five (55) and a Member in receipt of retirement income from the Plan, and each spouse who is entitled to or is receiving retirement income under the Plan may elect to receive provision for his or her accrued benefits in the form of cash, the purchase of annuity contracts, transfers to locked-in vehicles or a combination thereof, to the extent each is permitted under Applicable Pension Laws and Revenue Rules.

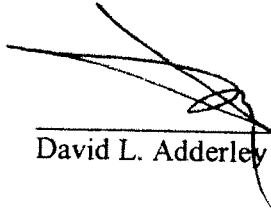
AMENDMENT

MAY 25 2012

REGISTERED

I, David L. Adderley, Corporate Secretary of Catalyst Paper Corporation, hereby certify that the wording of the foregoing resolution was adopted by the Board of Directors of Catalyst Paper Corporation at its meeting on May 10, 2012.

DATED AT RICHMOND, BC, this 11th day of May, 2012.



David L. Adderley

MINISTRY OF FINANCE
RECEIVED

MAY 23 2012

FINANCIAL INSTITUTIONS
COMMISSION

170

Form 1

(section 19(2))

CERTIFICATION

Administrators are required to certify that applications for registration of pension plans, restated plan texts or plan amendments comply with the provisions of the Pension Benefits Standards Act, R.S.B.C. 1996, c. 352, (the "Act") and the regulations under the Act. Where a pension plan covers members in jurisdictions within Canada other than British Columbia, the administrator is also required to certify that the applications comply with the provisions of the pension legislation of those other jurisdictions. The issuance by the Superintendent of Pensions (the "superintendent") of a Certificate of Registration for a pension plan registered under the Act or Notice of Registration for a restated plan text or an amendment to a pension plan registered under the Act will be made based upon this certification. Administrators are reminded that the superintendent has the power to refuse to register or to revoke any registration that does not comply with the Act and the regulations.

I, David Adderley, an authorized officer of the administrator of the Catalyst Paper Corporation Retirement Plan for Salaried Employees, attach an application for registration of an amendment dated effective May 19, 2012 for the pension plan bearing British Columbia registration number P085400, and

CERTIFY AS FOLLOWS:

1. I am satisfied that the re-stated plan text filed herewith complies with the provisions of the Act, the regulations, and the terms of the existing pension plan and trust.
2. I acknowledge that the obligation to determine compliance of the documents filed herewith is the responsibility of the administrator and I declare that I have fulfilled that responsibility and have complied with the provisions of the Act and the regulations in making this application.
3. I acknowledge that this certification extends to compliance with the pension legislation of designated jurisdictions within Canada, other than British Columbia, where the legislation of the designated jurisdictions applies to members and former members of the pension plan.

I declare that the above statements are true to the best of my knowledge and belief and I am making this certification conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

DATED at the City of Richmond,[date].

Signature of authorized officer

Name of authorized officer (printed)

RECEIVED

MAY 25 2012

REGISTERED

NOTE: It is an offence to administer a pension plan or pension fund in a manner that does not comply with the provisions of the Act and the regulations. In addition, an administrator may be subject to a direction under the Act issued by the superintendent relating to, amongst other matters, the manner of administration of the pension plan or pension fund.

NORSKE SKOG CANADA LIMITED

RETIREMENT PLAN FOR SALARIED EMPLOYEES

Actuarial Valuation as at December 31, 2003

Registration Numbers:

Pension Department of the Financial Institutions Commission of British Columbia: P085400
Canada Customs and Revenue Agency: 0212076

September 2004

This is Exhibit "E" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 15th day of June 20 12

Anders Olsen

A Commissioner for taking Affidavits
within British Columbia

This document is being filed with the Pension Department of the Financial Institutions Commission of British Columbia and Canada Customs and Revenue Agency as required by statute. It contains financial information regarding the plan and the employer sponsoring the plan that has been supplied in confidence. If such information were made available to the general public, it could have an adverse effect on the employer's competitive position within the meaning of subsection 20(1) of the Freedom of Information and Protection of Privacy Act of British Columbia, and section 22(1) of the British Columbia Pension Benefits Standards Act.

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Introduction

This report has been prepared for Norske Skog Canada Limited (the "Company") and presents the results of the actuarial valuation, as at December 31, 2003, of the Norske Skog Canada Limited Retirement Plan for Salaried Employees.

On September 1, 2001, the Company amalgamated with Pacifica Papers Inc. and assumed responsibility for the Defined Benefit Retirement Plan for Salaried Employees of Pacifica Papers Inc. Effective January 1, 2004, the Defined Benefit Retirement Plan for Salaried Employees of Pacifica Papers Inc. was consolidated with the Norske Skog Canada Limited Retirement Plan for Salaried Employees.

For the purpose of this report and for greater clarity, the term "NorskeCanada Plan" refers to the Norske Skog Canada Limited Retirement Plan for Salaried Employees as it existed prior to the consolidation. Similarly, the term "Pacifica Plan" refers to the Defined Benefit Retirement Plan for Salaried Employees of Pacifica Papers Inc. as it existed prior to the consolidation. The terms "Consolidated Plan" or "plan" refer to the Norske Skog Canada Limited Retirement Plan for Salaried Employees as it existed after the consolidation. For simplicity, the financial condition of the Consolidated Plan is presented as at December 31, 2003, even though the effective date of the consolidation is January 1, 2004.

* The approval from the Superintendent of Pensions of British Columbia for the consolidation and the transfer of all assets from the Pacifica Plan to the Consolidated Plan was granted on September 3, 2004

The principal purposes of the report are:

- to present information on the financial position of the NorskeCanada Plan, the Pacifica Plan and the Consolidated Plan on a going concern basis;
- to compare actual and expected experience under the NorskeCanada Plan and the Pacifica Plan on a going concern basis;
- to present information on the financial position of the NorskeCanada Plan, the Pacifica Plan and the Consolidated Plan on a solvency basis;
- to provide the basis for employer contributions; and
- to provide the information and the actuarial opinion required by the Pension Department of the Financial Institutions Commission of British Columbia and the Canada Customs and Revenue Agency.

The NorskeCanada Plan (and the Consolidated Plan) is comprised of a defined benefit segment (the "DB plan") and a defined contribution segment (the "DC plan"). Information with respect to both segments is presented in this report. The Pacifica Plan is a defined benefit plan.

The previous actuarial valuation of the NorskeCanada Plan and the Pacifica Plan were prepared as at December 31, 2000. Since the previous actuarial valuation, there have been changes to the plan provisions and actuarial basis as discussed below.

Effective January 1, 2002, the members of the Pacifica Plan were offered the opportunity to transfer their DB pension entitlements to the DC plan and become members of the DC plan. Also effective January 1, 2002, the remaining members of the Pacifica Plan were offered a one-time election to change their DB contributory

pension option. Thirty-seven members elected to change between the contributory options and the non-contributory core option.

Effective June 15, 2001, four members of the DB segment of the NorskeCanada Plan transferred employment to Pope & Talbot Ltd. as a result of the sale of the Mackenzie operations. All pension benefits accrued under the NorskeCanada Plan prior to June 15, 2001 were transferred to a registered pension plan sponsored by Pope and Talbot, along with a corresponding transfer of assets. The impact of this transaction is not material for the NorskeCanada Plan and is documented in a report entitled "Determination of the Purchaser's Portion as of June 15, 2001 in Respect of the Sale of Norske Skog Canada Mackenzie Pulp Limited".

The NorskeCanada Plan was amended effective January 1, 2002 to introduce a contributory retirement benefit option for DB members. Further details on this contributory option are provided in Appendix D of this report.

The current actuarial valuation recognizes the increases to the Income Tax Act defined benefit maximum pension limit in accordance with the February 18, 2003 federal budget.

Changes to the actuarial basis are outlined in Appendix B.

This report summarizes the results of the actuarial valuation and contains an actuarial opinion as an integral part of the report. The supporting detailed information on assets, actuarial basis, membership data and plan provisions is contained in the Appendices.

The information contained in this report was prepared for Norske Skog Canada Limited, for its internal use and for filing with the Pension Department of the Financial Institutions Commission of British Columbia and the Canada Customs and Revenue Agency, in connection with Towers Perrin's actuarial valuation of the plan. This report is not intended or necessarily suitable for other purposes. Further distribution of all or part of this report to other parties (except where such distribution is required by applicable legislation) or other use of this report is expressly prohibited without Towers Perrin's prior written consent.

Going Concern Financial Position

Statement of Financial Position as at December 31, 2003

	NorskeCanada Plan	Pacifica Plan	Consolidated Plan
Actuarial Value of Assets			
Defined benefit provision	\$ 165,826,991	\$ 53,526,638	\$ 219,353,629
Defined contribution provision	57,466,452	0	57,466,452
Total actuarial value of assets	\$ 223,293,443	\$ 53,526,638	\$ 276,820,081
Actuarial Liability			
Defined Benefit Provision			
■ Active and disabled members	\$ 20,171,094	\$ 43,580,754	\$ 63,751,848
■ Downsized members	0	0	0
■ Retired members and beneficiaries	160,997,850	26,891,742	187,889,592
■ Terminated vested members	5,260,853	0	5,260,853
■ Members transferred to Industry plans	328,080	4,237	332,317
■ Total	\$ 186,757,877	\$ 70,476,733	\$ 257,234,610
Defined Contribution Provision	\$ 57,466,452	\$ 0	\$ 57,466,452
Total Actuarial Liability	\$ 244,224,329	\$ 70,476,733	\$ 314,701,062
Actuarial Surplus			
(Unfunded Actuarial Liability)	\$ (20,930,886)	\$ (16,950,095)	\$ (37,880,981)

Comment:

- The financial position of the plan on a going concern basis is determined by comparing the actuarial value of assets to the actuarial liability and is a reflection of the assets available for the benefits accrued in respect of credited service prior to the valuation date assuming the plan continues indefinitely.

Statement of Financial Position as at December 31, 2000

	<i>NorskeCanada Plan</i>	<i>Pacifica Plan</i>
Actuarial Value of Assets		
Defined benefit provision	\$ 208,869,667	\$ 45,828,326
Defined contribution provision	54,704,342	0
Total actuarial value of assets	\$ 263,574,009	\$ 45,828,326
Actuarial Liability		
<i>Defined Benefit Provision</i>		
■ Active and disabled members	\$ 21,830,220	\$ 39,186,134
■ Downsized members	577,472	0
■ Retired members and beneficiaries	153,646,519	9,907,870
■ Terminated vested members	5,876,917	63,789
■ Members transferred to Industry plans	258,124	35,956
■ Total	\$ 182,189,252	\$ 49,193,749
<i>Defined Contribution Provision</i>	\$ 54,704,342	\$ 0
<i>Total Actuarial Liability</i>	\$ 236,893,594	\$ 49,193,749
Actuarial Surplus (Unfunded Actuarial Liability)	\$ 26,680,415	\$ (3,365,423)

Reconciliation of Financial Position

	NorskeCanada Plan	Pacifica Plan
Actuarial surplus (unfunded actuarial liability) as at December 31, 2000	\$ 26,680,415	\$ (3,365,423)
Net special payments:		
■ Going concern amortization payments	\$ 0	\$ 1,112,949
Application of actuarial surplus to:		
■ Defined benefit provision	\$ (3,030,756)	\$ 0
■ Defined contribution provision	(11,693,253)	0
■ Total	\$ (14,724,009)	\$ 0
Expected interest on:		
■ Actuarial surplus (unfunded actuarial liability)	\$ 6,464,581	\$ (815,431)
■ Going concern amortization payments	0	129,689
■ Application of actuarial surplus	(1,593,979)	0
■ Total	\$ 4,870,602	(685,742)
Plan experience:		
■ Investment gains (losses), net of non-investment expenses	\$ (23,951,522)	\$ (7,170,352)
■ Salary gains (losses)	(557,565)	(63,814)
■ Liability gains (losses)	1,264,298	109,534
■ Total	\$ (23,244,789)	\$ (7,124,632)
Change in actuarial basis	\$ (14,513,105)	\$ (9,405,732)
Change in asset valuation method	\$ 0	\$ 2,530,778
Change in plan provisions	\$ 0	\$ (12,293)
Actuarial surplus (unfunded actuarial liability) as at December 31, 2003	\$ (20,930,886)	\$ (16,950,095)

Comments:

- The increase in the actuarial liability of \$14,513,105 for the NorskeCanada Plan due to the change in the actuarial basis is comprised of an increase of \$432,234 in respect of the changes to the Income Tax Act defined benefit maximum pension limit, an increase of \$23,499 in respect of the change to the withdrawal assumption, a decrease of \$294,145 in respect of the change to the mortality assumption and an increase of \$14,351,517 in respect of the change to the liability discount rate.

- The increase in the actuarial liability of \$9,405,732 for the Pacifica Plan due to the change in the actuarial basis is comprised of an increase of \$799,236 in respect of the changes to the Income Tax Act defined benefit maximum pension limit, an increase of \$560,642 in respect of the change to the mortality assumption and an increase of \$8,045,854 in respect of the change to the liability discount rate.

Solvency Financial Position

Statement of Financial Position as at December 31, 2003

	NorskeCanada Plan	Pacifica Plan	Consolidated Plan
Solvency Value of Assets			
<i>Defined Benefit Provision</i>			
Market value of assets	\$ 157,938,192	\$ 50,995,860	\$ 208,934,052
Reserve for plan windup expenses	(350,000)	(150,000)	(500,000)
Total	\$ 157,588,192	\$ 50,845,860	\$ 208,434,052
<i>Defined Contribution Provision</i>			
Market value of assets	\$ 57,466,452	\$ 0	\$ 57,466,452
Total Solvency Value of Assets	\$ 215,054,644	\$ 50,845,860	\$ 265,900,504
Solvency Liability			
<i>Defined Benefit Provision</i>			
■ Active and disabled members	\$ 19,048,049	\$ 32,563,465	\$ 51,611,514
■ Downsized members	0	0	0
■ Retired members and beneficiaries	169,548,280	29,088,750	198,637,030
■ Terminated vested members	5,842,269	0	5,842,269
■ Members transferred to Industry plans	351,212	4,543	355,755
■ Total	\$ 194,789,810	\$ 61,656,758	\$ 256,446,568
<i>Defined Contribution Provision</i>	\$ 57,466,452	\$ 0	\$ 57,466,452
Total Solvency Liability	\$ 252,256,262	\$ 61,656,758	\$ 313,913,020
Solvency Surplus			
(Unfunded Solvency Liability)	\$ (37,201,618)	\$ (10,810,898)	\$ (48,012,516)
Solvency Ratio ¹	0.81	0.82	0.81

Note:

¹ As the solvency ratio is less than 1.00, transfer deficiencies must be paid over five years unless the transfer deficiencies are within the limits prescribed by the Regulation to the Pension Benefits Standards Act (British Columbia) or the Company remits additional contributions in respect of the transfer deficiencies.

Comment:

- The financial position of the plan on a solvency basis is determined by comparing the solvency value of assets to the solvency liability (the actuarial present value of benefits accrued in respect of credited service prior to the valuation date, calculated as if the plan were wound up on that date).

Statement of Financial Position as at December 31, 2000

	<i>NorskeCanada Plan</i>	<i>Pacifica Plan</i>
Solvency Value of Assets		
<i>Defined Benefit Provision</i>		
Market value of assets	\$ 219,855,126	\$ 45,828,326
Reserve for plan windup expenses	(300,000)	(150,000)
Total	\$ 219,555,126	\$ 45,678,326
<i>Defined Contribution Provision</i>		
Market value of assets	\$ 54,704,342	\$ 0
Total Solvency Value of Assets	\$ 274,259,468	\$ 45,678,326
Solvency Liability		
<i>Defined Benefit Provision</i>		
■ Active and disabled members	\$ 21,717,943	\$ 27,975,989
■ Downsized members	643,658	0
■ Retired members and beneficiaries	161,888,107	10,418,030
■ Terminated vested members	6,612,967	81,285
■ Members transferred to Industry plans	286,664	41,309
■ Total	\$ 191,149,339	\$ 38,516,613
<i>Defined Contribution Provision</i>	\$ 54,704,342	\$ 0
Total Solvency Liability	\$ 245,853,681	\$ 38,516,613
Solvency Surplus (Unfunded Solvency Liability)	\$ 28,405,787	\$ 7,161,713
Solvency Ratio	1.00	1.00

Determination of the Statutory Solvency Deficiency

The minimum funding requirements under the Regulation to the Pension Benefits Standards Act (British Columbia) are based on the statutory solvency deficiency as at the valuation date. In calculating the statutory solvency deficiency, various adjustments can be made to the solvency financial position including:

- recognition of the present value of existing amortization payments, including any going concern amortization payments established at the valuation date, due to be paid within the periods prescribed by the Regulation; and
- smoothing of the asset value by use of an averaging technique.

To the extent that there exists a statutory solvency deficiency, after taking account of these adjustments, additional amortization payments must be made. If there is no statutory solvency deficiency, the statutory solvency excess may be used to reduce the period of any existing solvency amortization payments.

Statutory Solvency Deficiency

	<i>Consolidated Plan December 31, 2003</i>	<i>NorskeCanada Plan December 31, 2000</i>	<i>Pacifica Plan December 31, 2000</i>
Solvency surplus (unfunded solvency liability)	\$ (48,012,516)	\$ 28,405,787	\$ 7,161,713
Adjustments to solvency position:			
■ Present value of existing amortization payments ¹	\$ 17,460,192	\$ 0	\$ 1,588,064
■ Asset smoothing ²	N/A	N/A	N/A
Statutory solvency excess (statutory solvency deficiency)	\$ (30,552,324)	\$ 28,405,787	\$ 8,749,777

Notes:

¹ Reflects any changes made in this valuation to going concern amortization schedules. See next page for details.

² The solvency financial position was not adjusted to reflect the smoothing of the asset value by use of an averaging technique.

Details of Present Value of Existing Amortization Payments

<i>Type of payment</i>	<i>Effective date</i>	<i>Month of last payment recognized in calculation</i>	<i>Annual amortization payment</i>	<i>Present value as at December 31, 2003 (at 5.25% per annum)</i>
Going concern	Dec. 31, 2000	Dec. 2008	\$ 370,983	\$ 1,626,192
Going concern	Dec. 31, 2003	Dec. 2008	3,612,209	15,834,000
Total			\$ 3,983,192	\$ 17,460,192

Contributions

Normal Actuarial Cost and Amortization Payments (Ensuing Year)

	Consolidated Plan December 31, 2003	NorskeCanada Plan December 31, 2000	Pacifica Plan December 31, 2000
Employer Normal Actuarial Cost			
Defined Benefit Provision			
Estimated annual contribution	\$ 3,608,623	\$ 1,010,252	\$ 1,771,516
Estimated annual payroll (including incentive compensation)	24,994,659	8,913,289	19,057,215 ¹
% of payroll	14.44%	11.33%	9.30%
Defined Contribution Provision			
Estimated annual contribution	\$ 4,681,992	\$ 3,312,657	N/A
Estimated annual payroll (including incentive compensation)	66,885,600	47,323,671	N/A
% of payroll	7.00%	7.00%	N/A
Annual Amortization Payments			
Going concern	\$ 3,983,192	\$ 0	\$ 370,983
Solvency	6,969,898	0	0
Total	\$ 10,953,090	\$ 0	\$ 370,983
Estimated Member Contributions			
Defined benefit provision	\$ 463,465	\$ 0	\$ 374,769

Note:

¹ The Company contributed on payroll excluding incentive compensation with respect to the Pacifica Plan at the prior valuation. The estimated annual payroll excluding incentive compensation with respect to the Pacifica Plan was \$17,232,651 as at December 31, 2000 and the rule for computing the defined benefit provision normal actuarial cost was, therefore, 10.28% of payroll excluding incentive compensation.

Comments:

- Had the Norske Plan and Pacifica Plan been consolidated at December 31, 2000, the rule for computing the defined benefit provision normal cost would have been 9.95% of payroll. Accordingly, the defined benefit normal actuarial cost rate for the Consolidated Plan effectively increased by 4.49% of payroll during the intervaluation period. This increase is comprised of 1.84% of payroll due to changes in membership profile, 0.47% of payroll due to the change in the Income Tax Act maximum defined benefit limit, 0.03% due to the change in the withdrawal assumption, 0.18% due to the change in the mortality

assumption and 1.97% of payroll due to the change in the discount rate assumption since the previous valuation.

- The schedule of amortization payments shown in the actuarial opinion provides details on the dates these payments were established and the liquidation periods.

Timing of Contributions

To satisfy the requirements of British Columbia pension legislation, the employer defined benefit normal actuarial cost and amortization payments must be paid quarterly and within 30 days of the quarter to which they pertain, while the employer defined contribution normal actuarial cost must be paid monthly and within 30 days of the month to which they pertain. Members' contributions must be remitted to the fund monthly and within 30 days of the month to which they pertain.

To satisfy the requirements of the Income Tax Act (Canada), employer contributions that are remitted to the plan in the taxation year or within 120 days after the end of such taxation year are deductible in such taxation year provided they were made to fund benefits in respect of periods preceding the end of the taxation year.

Other Statutory Contributions

Additional contributions may be required in respect of the transfer values for terminating members. Details are provided on page 7.

Future Contribution Levels

Future contribution levels may change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which have been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses which will be revealed in future actuarial valuations.

Actuarial Opinion

In our opinion, for the purposes of the going concern valuation and the solvency valuation, the data on which the valuations are based are sufficient and reliable, the assumptions are, in aggregate, appropriate and the methods employed in the valuations are appropriate. This report has been prepared, and our opinion has been given, in accordance with accepted actuarial practice. The valuations have been conducted in accordance with the funding and solvency standards prescribed by the Pension Benefits Standards Act (British Columbia) and Regulation thereto, and in conformity with the requirements of the Income Tax Act (Canada) and Regulation thereto. This actuarial opinion forms an integral part of the report.

Based on the results of these valuations, we hereby certify that, in our opinion, as at December 31, 2003:

- The actuarial surplus (unfunded actuarial liability), determined by comparing the actuarial liability, the measure of obligations of the plan on a going concern basis, to the actuarial value of assets, is \$(37,880,981).
- The unfunded actuarial liability of \$37,880,981 must be liquidated by employer amortization payments, payable quarterly in arrears, at least equal to the amounts and for the periods set forth below in order to comply with the Regulation to the Pension Benefits Standards Act (British Columbia).

<i>Effective date</i>	<i>Month of last payment</i>	<i>Present value as at December 31, 2003 (at 6.5% per annum)</i>	<i>Annual amortization payment</i>
Dec. 31, 2000	Dec. 2015	\$ 3,099,558	\$ 370,983
Dec. 31, 2003	Dec. 2018	34,781,423	3,612,209
Total		<u>\$ 37,880,981</u>	<u>\$ 3,983,192</u>

- The solvency surplus (unfunded solvency liability), determined by comparing the solvency liability, the measure of the obligations of the plan on a windup basis, to the solvency value of assets is \$(48,012,516).
- The statutory solvency excess (deficiency) revealed at this valuation is \$(30,552,324). This statutory solvency deficiency must be liquidated by employer amortization payments, payable quarterly in arrears, at least equal to the amounts and for the periods set forth below in order to comply with the Regulation to the Pension Benefits Standards Act (British Columbia).

<i>Effective date</i>	<i>Month of last payment</i>	<i>Present value as at December 31, 2003 (at 5.25% per annum)</i>	<i>Annual amortization payment</i>
Dec. 31, 2003	Dec. 2008	\$ 30,552,324	\$ 6,969,898

- If the plan had been wound up on the valuation date, the market value of plan assets would have been less than the actuarial liabilities of the plan.

- The excess actuarial surplus, pursuant to Section 147.2(2) of the Income Tax Act (Canada), is \$0.
- The rule for computing the employer defined benefit normal actuarial cost and the estimated normal actuarial cost for the next three years based on the plan membership and actuarial assumptions used for this valuation is:

Year	Estimated member contributions	Estimated employer normal actuarial cost	Normal actuarial cost rate (% of payroll including incentive compensation)
2004	\$ 463,465	\$ 3,608,623	14.44%
2005	\$ 478,528	\$ 3,725,903	14.91%
2006	\$ 494,080	\$ 3,846,995	15.39%

The employer is required to make normal actuarial cost contributions to the plan in accordance with the above rules until the effective date of the next actuarial valuation.

- The rule for computing the employer defined contribution normal actuarial cost is stipulated in the plan. Based on the plan membership used in this valuation, the defined contribution requirement for the next three years is estimated to be:

Year	Estimated employer normal actuarial cost ¹
2004	\$ 4,681,992
2005	\$ 4,845,862
2006	\$ 5,015,467

Note:


¹ prior to any application of non-vested forfeitures

The employer is required to make normal actuarial cost contributions to the plan in accordance with the above rules until the effective date of the next actuarial valuation.

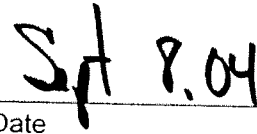
- The Income Tax Act (Canada) permits the employer to make a contribution equal to the sum of the normal actuarial cost and \$48,012,516, less the amortization payments made in respect of periods since December 31, 2003.
- The solvency ratio, as defined in the Regulation to the Pension Benefits Standards Act (British Columbia), is 0.81.
- In accordance with the Regulation to the Pension Benefits Standards Act (British Columbia), the next actuarial valuation should be performed with an effective date not later than December 31, 2006.

The results shown in this report are reasonable actuarial results reflecting our judgement of future events. However, a different set of results could also be considered reasonable since accepted actuarial practice does not prescribe a single "best-estimate" for each assumption. Thus, reasonable results differing from those presented in this report could have been developed by selecting different assumptions based on a different judgement of future events.

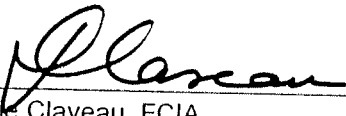
Towers Perrin Inc.



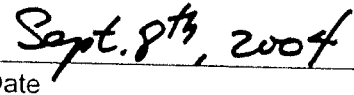
Bernard Mercier, FCIA



Date



Julie Claveau, FCIA



Date

Assets

Statement of Market Value as at December 31, 2003

	NorskeCanada Plan	Pacifica Plan	Consolidated Plan
Defined Benefit Provision			
Invested assets:			
■ Cash & short term investments	\$ 554,700	\$ 389,694	\$ 944,394
■ Venture capital	0	0	0
■ Bonds & debentures	59,398,961	18,975,568	78,374,529
■ Canadian equities	49,078,689	15,678,659	64,757,348
■ Foreign equities	46,317,745	14,796,648	61,114,393
■ Investment income receivable	2,425,903	774,978	3,200,881
■ Total invested assets	\$ 157,775,998	\$ 50,615,547	\$ 208,391,545
Other assets:			
■ Group annuities	\$ 162,194	\$ 0	\$ 162,194
■ Contributions receivable	0	380,313	380,313
■ Total other assets	\$ 162,194	\$ 380,313	\$ 542,507
Total	\$ 157,938,192	\$ 50,995,860	\$ 208,934,052
Defined Contribution Provision			
■ Invested assets	\$ 57,466,452	\$ 0	\$ 57,466,452
Total Market Value of Assets	\$ 215,404,644	\$ 50,995,860	\$ 266,400,504

Comments:

- The assets of the Consolidated Plan, NorskeCanada and Pacifica Plans are invested, along with those of other Norske Skog Canada Limited retirement plans, in the Norske Skog Canada Limited Master Trust. The invested asset allocation shown above reflects the plans' pro rata share of each asset class of the Norske Skog Canada Limited Master Trust.
- The invested assets of the Consolidated Plan, NorskeCanada and Pacifica Plans are held by CIBC Mellon under account number F441500.
- The data relating to the assets held by the trustees are based on the statements issued by CIBC Mellon. All of this information has been relied upon by Towers Perrin following tests of reasonableness with respect to contributions, benefit payments and investment income.

- The value of the group annuities, which were purchased under predecessor plans in respect of current members, has been determined using the actuarial assumptions outlined in Appendix B.
- The assets of the defined contribution provision are held by CIBC Mellon in individual accounts for each of the members participating in the DC plan. The market value of DC plan assets includes assets in respect of inactive DC members. As of December 31, 2003, these assets are equal to \$8,307,443.

Statement of Market Value as at December 31, 2000

	NorskeCanada Plan	Pacifica Plan
Defined Benefit Provision		
Invested assets:		
■ Cash & short term investments	\$ 5,100,592	\$ N/A
■ Venture capital	614	N/A
■ Bonds & debentures	92,480,839	N/A
■ Canadian equities	77,389,370	N/A
■ Foreign equities	43,526,345	N/A
■ Investment income receivable	1,211,417	N/A
■ Total invested assets	\$ 219,709,177	\$ 45,652,178
Other assets:		
■ Group annuities	\$ 145,949	\$ 0
■ Contributions receivable	0	176,148
■ Total other assets	\$ 145,949	\$ 176,148
Total	\$ 219,855,126	\$ 45,828,326
Defined Contribution Provision		
■ Invested assets	\$ 54,704,342	\$ 0
Total Market Value of Assets	\$ 274,559,468	\$ 45,828,326

Comments:

- The assets of the NorskeCanada Plan are invested, along with those of other Norske Skog Canada Limited retirement plans, in the Norske Skog Canada Limited Master Trust. The invested asset allocation shown above reflects the plan's pro rata share of each asset class of the Norske Skog Canada Limited Master Trust.
- The invested assets of the NorskeCanada Plan are held by CIBC Mellon under account number F441500.
- Prior to January 1, 2002, the invested assets of the Pacifica Plan were held by Royal Trust under account number 774-M01985-MT.
- The data relating to the assets held by the trustees are based on the statements issued by CIBC Mellon and Royal Trust. All of this information has been relied upon by Towers Perrin following tests of reasonableness with respect to contributions, benefit payments and investment income.
- The value of the group annuities, which were purchased under predecessor plans in respect of current members, has been determined using the actuarial assumptions outlined in Appendix B.
- The assets of the defined contribution provision are held by CIBC Mellon in individual accounts for each of the members participating in the DC plan.

**Reconciliation of Invested Assets (Market Value) —
Defined Benefit Provision**

	NorskeCanada Plan	Pacifica Plan
Assets as at December 31, 2000	\$ 219,709,177	\$ 45,652,178
Receipts:		
■ Employer contributions:		
— Normal actuarial cost	\$ 0	\$ 4,373,906
— Amortization payments	0	1,112,949
— Total	\$ 0	\$ 5,486,855
■ Employee contributions	78,760	1,208,359
■ Investment return, net of investment expenses	3,452,576	4,562,955
■ Total receipts	\$ 3,531,336	\$ 11,258,169
Transfers out:		
■ Transfer to DC provision	\$ 11,693,253	\$ 1,043,084
■ Transfer on sale of Mackenzie mill to Pope & Talbot	658,920	0
■ Total transfers out	\$ 12,352,173	\$ 1,043,084
Disbursements:		
■ Benefit payments:		
— Pension payments	\$ 49,154,333	\$ 4,566,938
— Lump sum settlements	1,101,582	316,338
— Total	\$ 50,255,915	\$ 4,883,276
■ Non-investment expenses	2,856,427	368,440
■ Total disbursements	\$ 53,112,342	\$ 5,251,716
Assets as at December 31, 2003	\$ 157,775,998	\$ 50,615,547

Comment:

- This reconciliation is based on the statements issued by the CIBC Mellon and Royal Trust.

Development of the Actuarial Value of Assets — Defined Benefit Provision

	Adjusted Market Value Beginning from:			
	December 31, 1999	December 31, 2000	December 31, 2001	December 31, 2002
Market value as at December 31, 1999	\$ 258,313,405 ¹			
Net non-investment cash flow for 2000 ²	(20,014,617)			
Assumed investment return for 2000 (at 8.0% p.a.) ³	19,864,488			
Adjusted value as at December 31, 2000	\$ 258,163,276	\$ 269,626,018 ¹		
Net non-investment cash flow for 2001 ²	(19,787,991)	(19,787,991)		
Assumed investment return for 2001 (at 6.3% p.a.) ³	15,640,965	16,363,117		
Adjusted value as at December 31, 2001	\$ 254,016,250	\$ 266,201,144	\$ 248,941,671 ¹	
Net non-investment cash flow for 2002 ²	(21,607,619)	(21,607,619)	(21,607,619)	
Assumed investment return for 2002 (at 5.1% p.a.) ³	12,403,834	13,025,264	12,145,031	
Adjusted value as at December 31, 2002	\$ 244,812,465	\$ 257,618,789	\$ 239,479,083	\$ 215,005,886 ¹
Net non-investment cash flow for 2003 ²	(20,781,643)	(20,781,643)	(20,781,643)	(20,781,643)
Assumed investment return for 2003 (at 5.4% p.a.) ³	12,658,769	13,350,310	12,370,766	11,049,213
Adjusted market value as at December 31, 2003	\$ 236,689,591	\$ 250,187,456	\$ 231,068,206	\$ 205,273,456
Five-year Average of Adjusted Market Values				\$ 215,982,639 ¹
Corridor Maximum Value = 105% of market value				\$ 227,836,269
Corridor Minimum Value = 95% of market value				\$ 226,760,771
Actuarial Value of Invested Assets as at December 31, 2003				\$ 205,164,507
				\$ 226,760,771

Notes:

- Market value of assets held in trust. Effective late 2001, the assets of the Pacifica Plan were transferred into the Norske Skog Canada Limited Master Trust. The actuarial value of assets as at December 31, 2003 was determined assuming the Pacifica Plan assets were part of the Master Trust since December 31, 1999.
- Contributions less benefit payments and non-investment expenses.
- Non-investment cash flow assumed to occur uniformly throughout the year.
- The asset valuation method described in Appendix B.

Development of Actuarial Value of Assets as of December 31, 2003

Market Value of Invested Assets – Defined Benefit Provision

Master Trust	
Consolidated Plan	\$ 215,962,639
Consolidated Plan Pro Rata Share of Master Trust	\$ 208,391,545
	96.4943%

Actuarial Value of Invested Assets – Defined Benefit Provision

Master Trust	
Consolidated Plan Pro Rata Share of Master Trust	\$ 226,760,771
Consolidated Plan	x 96.4943%
	\$ 218,811,122

Actuarial Value of Assets – Consolidated Plan

Actuarial value of invested assets – Defined benefit provision	\$ 218,811,122
Actuarial value of invested assets – Defined contribution provision	57,466,452
Group annuities	162,194
Contributions receivable	380,313
Total	\$ 276,820,081

Actuarial Basis

Defined Benefit Provision — Going Concern

Asset Valuation Method

The actuarial value of assets was calculated as the average of the market value of invested assets at the valuation date and the four previous adjusted market values. The adjusted market values at the current valuation date were developed from the fund's market value at the four preceding year-ends. To obtain these adjusted market values, the market values at December 31 of each of the four preceding years were accumulated to the valuation date with net cash flow and assumed investment return. Net cash flow was calculated as contributions less benefit payments and non-investment expenses and were assumed to occur uniformly throughout each year. Assumed investment return was calculated assuming that each year the assets earned interest at the average 3-month Canada Treasury Bill rate during the year plus 2.5%.

To ensure that the asset valuation method develops an asset value that appropriately tracks market values over time, the emerging actuarial value of assets is adjusted, if necessary, so that it falls within 5% of the market value of assets ("5% corridor").

The actuarial value of invested assets is first calculated in aggregate for all the pension plans which participate in the Norske Skog Canada Limited Master Trust and is then allocated to the various plans on a pro rata basis, based on the market value of invested assets of each plan. The actuarial value of assets is then adjusted for any outstanding amounts and for the value of insured group annuity contracts held by the Company to provide a portion of some members' benefits.

In addition, effective December 31, 1999, each adjusted market value was increased to reflect the addition of assets for the Pacifica Plan.

The actuarial value of assets for the Pacifica Plan at the prior valuation was equal to the market value of assets, adjusted for net outstanding amounts.

Actuarial Cost Method

The actuarial liability and the normal actuarial cost were calculated using the projected unit credit cost method.

Prospective benefits were calculated for each active and disabled member according to the plan provisions and actuarial assumptions. The actuarial liability was calculated as the actuarial present value of each member's prospective benefits accrued for credited service to the valuation date (the benefit prorated method). The calculation of the actuarial present value of the members' prospective benefits reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the members' contributions with interest.

The actuarial liability for retired members and beneficiaries, terminated vested members, downsized members and members who have transferred to industry plans was calculated as the actuarial present value of their respective benefits.

The normal actuarial cost for active and disabled members was calculated as the actuarial present value of each member's prospective benefits accruing in respect of credited service in the ensuing year. The employer normal actuarial cost for each active and disabled member was determined as the excess of the total normal actuarial cost over the members' required contributions. The normal actuarial cost rate determined by the projected unit credit cost method will be stable over time if the demographic characteristics of the active and disabled plan membership remain stable from valuation to valuation. All other things being equal, an active and disabled membership whose average age increases (decreases) between actuarial valuations will result in an increasing (decreasing) normal actuarial cost rate.

As membership is closed in respect of the DB plan, the average age of the active membership is expected to increase with the passage of time while the payroll is expected to remain constant. This valuation assumes that the average age increases by 0.5 years per year and that the normal actuarial cost rate for the DB plan increases by 3.25% per year.

Benefit Security

The purpose of the going concern actuarial cost method is to assign a value to the benefits accrued to the valuation date under the plan and to measure the value of benefits accruing in ensuing years. A comparison of the actuarial value of assets with the actuarial liability measured under the projected unit credit actuarial cost method gives an indication of the security of the benefits earned to date (only in respect to those benefits included in the liability measure) based on the going concern actuarial assumptions used in the actuarial valuation.

Defined Benefit Provision — Solvency

Asset Valuation Method

The market value of assets has been used for the solvency valuation, adjusted for net outstanding amounts.

Actuarial Cost Method

The solvency liability was calculated using the unit credit cost method.

The solvency liability for active and disabled members was calculated as the actuarial present value of all benefits accrued up to the valuation date (treating all members as if vested). This calculation reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the members' contributions with interest.

The solvency liability for retired members and beneficiaries, terminated vested members, downsized members and members who have transferred to industry plans was calculated as the actuarial present value of their respective benefits.

Benefit Security

The purpose of the solvency actuarial cost method is to assign a value to the benefits accrued to the valuation date under the plan assuming the plan were to terminate as of the valuation date. A comparison of plan assets with the liabilities measured under the unit credit actuarial cost method gives an indication of the security of the benefits earned to date (only in respect of those benefits included in the liability measure) based on the actuarial assumptions used in these actuarial valuations.

Defined Contribution Provision

For the purposes of the going concern and solvency valuations, the determination of the actuarial liability and normal actuarial cost for the defined contribution provision does not involve the use of an actuarial cost method, nor does it involve actuarial assumptions. By definition, the actuarial liability under the defined contribution provision corresponds with the market value of the members' defined contribution accounts at the valuation date.

The employer normal actuarial cost for each active and disabled member was calculated as the expected contribution to be made to each member's defined contribution account in the year following the valuation date. The expected contribution to be made to each member's defined contribution account was determined based on each member's pensionable earnings at the valuation date.

The actuarial value of assets is equal to the sum of the individual accounts for each active and disabled members who are participating in the DC Plan.

Benefit Security

Benefits under this provision are always fully secured since the associated assets and liabilities are always equal.

Assumptions — Defined Benefit Provision

	Going Concern	Solvency
Economic Assumptions (per annum)		
Liability discount rate	6.5% ¹	Settlement by: <ul style="list-style-type: none"> ■ Commuted value: 6.0% ² for 15 years, 6.0% thereafter ■ Annuity purchase: 5.25% ³ 5.25% ⁴
Discount rate for amortization payments	6.5%	
Rate of salary increase	3.5%	N/A, actual earnings history used ⁵
Escalation of YMPE under Canada/Québec Pension Plan	3.0%	N/A
Escalation of Income Tax Act (Canada) maximum pension limitation	3.0% starting in 2006 ⁶	N/A
Interest on members' contributions	6.5% ⁷	N/A
Demographic Assumptions		
Mortality	Fully generational 1994 Uninsured Pensioner Mortality Table projected using Scale AA ⁸	1983 Group Annuity Mortality Table
Withdrawal	Age-related rates (details on page B-6) ⁹	N/A
Disability incidence/recovery	Nil ¹⁰	N/A
Retirement	Age-related rates (details on page B-7)	Described in detail on page B-5
Other		
Percentage of members with spouses	90% ¹¹	Same
Years male spouse older than female spouse	3	Same
Incentive compensation	Actual target bonus used ¹²	N/A; actual bonus history used ¹³
Settlement election on plan windup	N/A	<ul style="list-style-type: none"> ■ Inactive members and active members age 55 or older: annuity purchase ■ Otherwise: commuted value
Expenses	None; return on plan assets is net of all expenses	\$500,000 ¹⁴ Details on page B-6
Benefit options	Members are assumed to remain in the option elected at December 31, 2003 for all future years	N/A

Notes:

- ¹ 7.5% at the previous valuation.
- ² 6.5% for the Norske Plan and 6.25% for the Pacifica Plan at the previous valuation.
- ³ 6.25% at the previous valuation.
- ⁴ For the solvency valuation, the discount rate for determining the present value of special payments has been determined as the weighted average discount rate for determining the solvency liabilities rounded to the nearest 0.25%.
- ⁵ 3.5% per year used to calculate historical earnings for the Pacifica Plan at the previous valuation.
- ⁶ The Income Tax Act (Canada) maximum pension limit for each year of service was \$1,722.22 (indexed starting in 2005) at the previous valuation.
- ⁷ 7.5% at the previous valuation.
- ⁸ 1994 Uninsured Pensioner Mortality Table projected to 2014 using Scale AA at the previous valuation.
- ⁹ Service-related rates for the Norske Plan at the previous valuation (details on page B-7).
- ¹⁰ There are no disability benefits under the plan other than the accrual of retirement income (earnings remain constant) during disability. Consequently, the assumption of no incidence of disability or recovery therefrom makes an appropriate allowance, in combination with the other assumptions, for such continued accruals.
- ¹¹ 80% for the Pacifica Plan at the previous valuation.
- ¹² At the previous valuation for the Pacifica Plan, a bonus schedule based on salary was used (details on page B-7).
- ¹³ Target bonus for the Norske Plan used at the previous valuation. For the Pacifica Plan, a bonus schedule based on salary was used at the previous valuation (details on page B-7).
- ¹⁴ \$300,000 for the Norske Plan and \$150,000 for the Pacifica Plan at the previous valuation.

Method of Calculating Solvency Discount Rate

In the event of a plan windup, it is expected that a portion of the liabilities will be settled by a group annuity purchase and the balance of the liabilities will be settled by commuted value transfers.

For the calculation of the portion of the solvency liability relating to the benefits which are expected to be settled by means of a group annuity purchase, the liability discount rate corresponds to the proxy for immediate group annuity purchase rates as at December 31, 2003 as per the annual survey completed by the Pension Plan Financial Reporting Committee of the Canadian Institute of Actuaries.

For the calculation of the portion of the solvency liability relating to the benefits which are expected to be settled by commuted value transfers, the liability discount rates have been determined in accordance with the Recommendations for the Computation of Transfer Values from Registered Pension Plans approved by the Canadian Institute of Actuaries effective September 1, 1993. For this valuation, the December 2003 rates have been used.

Retirement Assumptions (Solvency)

- Members eligible to retire: retire immediately.
- Former BCFP members with at least 20 years service: retire at age 60.
- Other members: retire at age 65.

Expense Assumption (Solvency)

Allowance was made for normal administrative, actuarial, legal and other costs which would be incurred if the plan were to be wound up (excluding costs relating to the resolution of surplus issues). The valuation is premised on a scenario in which the employer discontinues its operations on the windup date and all costs incurred as a result of plan windup were assumed to be paid from the pension fund.

Retirement and Withdrawal Assumptions (Going Concern)

Withdrawal Rates – Current Assumptions

<i>Service Years</i>	<i>All members</i>
1	0.180
2	0.160
3	0.140
4	0.120
5	0.100
6	0.080
7	0.060
8	0.050
9	0.040
10	0.035
11	0.030
12	0.025
13	0.020
14	0.015
15	0.010
More than 15	0.000

Withdrawal Rates – Prior Assumptions, Norske Plan

<i>Age</i>	<i>All members</i>
Less than 40	0.040
40	0.040
41	0.036
42	0.032
43	0.028
44	0.024
45	0.020
46	0.016
47	0.012
48	0.008
49	0.004
50 and older	0

Retirement Rates

<i>Age</i>	<i>All members</i>
55 to 59	0.150
60	0.350
61	0.350
62	0.350
63	0.350
64	0.350
65	1.000

Bonus Schedule – Prior Assumptions, Pacifica Plan

<i>Salary</i>	<i>Bonus Percentage</i>
Less than \$44,000	4.0%
\$44,000 to \$47,999	5.0%
\$48,000 to \$55,999	6.0%
\$56,000 to \$66,999	7.0%
\$67,000 to \$79,999	8.0%
\$80,000 to \$94,999	9.0%
\$95,000 to \$123,999	15.0%
\$124,000 to \$181,999	20.0%
\$182,000 or greater	25.0%

Membership Data

Summary of Membership as at December 31, 2003

	NorskeCanada Plan		Pacifica Plan		Consolidated Plan
Active and Disabled Members					
Defined Benefit Provision					
■ Number		89		163	252
■ Average age		54.3		51.7	52.6
■ Average credited service		27.4		21.3	23.5
■ Annual payroll (including incentive compensation)	\$	9,056,736	\$	15,937,926	\$ 24,994,662
■ Average payroll	\$	101,761	\$	97,779	\$ 99,185
■ Accumulated contributions with interest	\$	74,096	\$	1,953,001	\$ 2,027,097
Defined Contribution Provision					
■ Number		711		0	711
■ Annual payroll (including incentive compensation)	\$	66,885,600	\$	N/A	\$ 66,885,600
■ Total account value	\$	49,159,009	\$	N/A	\$ 49,159,009
■ Average account value	\$	69,141	\$	N/A	\$ 69,141
Downsized Members					
■ Number		0		0	0
■ Average age		N/A		N/A	N/A
■ Total lifetime annual pension	\$	N/A	\$	N/A	\$ N/A
■ Average lifetime annual pension	\$	N/A	\$	N/A	\$ N/A
Retired Members and Beneficiaries					
■ Number		1,055		81	1,136
■ Average age		72.2		60.7	71.4
■ Total lifetime annual pension	\$	16,469,181	\$	2,248,852	\$ 18,718,033
■ Average lifetime annual pension	\$	15,611	\$	27,764	\$ 16,477
Terminated Vested Members					
■ Number		260		0	260
■ Average age		54.8		N/A	54.8
■ Total lifetime annual pension	\$	740,534	\$	N/A	\$ 740,534
■ Average lifetime annual pension	\$	2,848	\$	N/A	\$ 2,848
Transfer to Industry Plan					
■ Number		14		1	15
■ Average age		58.8		52.4	58.4
■ Total lifetime annual pension	\$	44,521	\$	960	\$ 45,481
■ Average lifetime annual pension	\$	3,180	\$	960	\$ 3,032

The membership distribution by option as at December 31, 2003 is as follows:

■ Core option	
■ Option 1	134
■ Option 2	80
■ Option 3	11
Total	27
	252

Comments:

- Data with respect to the plan were supplied by Morneau Sobeco as at December 31, 2003.
- Certain data tests were made to ensure that the data were consistent both internally and with the data from the previous valuation; these tests indicated that the data were sufficient and reliable for the purposes of the valuation.

Summary of Membership as at December 31, 2000

	NorskeCanada Plan		Pacifica Plan	
Active and Disabled Members				
Defined Benefit Provision				
■ Number				
■ Average age		104		221
■ Average credited service		55.1		49.6
■ Annual payroll (including incentive compensation)		26.6		22.5
■ Average payroll	\$	8,913,289	\$	19,057,215
■ Accumulated contributions with interest	\$	85,705	\$	86,232
	\$	N/A	\$	1,464,990
Defined Contribution Provision				
■ Number		643		0
■ Annual payroll (including incentive compensation)		N/A		N/A
■ Total account value	\$	54,704,342	\$	N/A
■ Average account value	\$	85,077	\$	N/A
Downsized Members				
■ Number				
■ Average age		3		0
■ Total lifetime annual pension		54.6		N/A
■ Average lifetime annual pension	\$	52,715	\$	N/A
	\$	17,572	\$	N/A
Retired Members and Beneficiaries				
■ Number		1,046		38
■ Average age		70.7		58.7
■ Total lifetime annual pension	\$	16,384,993	\$	880,393
■ Average lifetime annual pension	\$	15,664	\$	23,168
Terminated Vested Members				
■ Number		296		3
■ Average age		52.7		41.7
■ Total lifetime annual pension	\$	1,029,562	\$	33,385
■ Average lifetime annual pension	\$	3,478	\$	11,128
Transfer to Industry Plan				
■ Number		15		3
■ Average age		56.1		52.3
■ Total lifetime annual pension	\$	47,121	\$	8,685
■ Average lifetime annual pension	\$	3,141	\$	2,895

Distribution of Membership

The following distributions relate to members under the defined benefit provision:

- Page C-4 Active and disabled members – Age/service distribution

The following meanings have been assigned to age, service and salary:

- Age Age rounded as at December 31, 2003
- Credited Service Credited service as at December 31, 2003 as per plan provisions
- Annual Salary Annual rate of salary, including incentive compensation as at December 31, 2003

Active and Disabled Members - Age/Service Distribution

Age	Credited Service								Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +	
< 35	Number								
	Total Annual Earnings								
	Average Annual Earnings								
35 - 39	Number								
	Total Annual Earnings								
	Average Annual Earnings								
40 - 44	Number								
	Total Annual Earnings								
	Average Annual Earnings								
45 - 49	Number								
	Total Annual Earnings								
	Average Annual Earnings								
50 - 54	Number								
	Total Annual Earnings								
	Average Annual Earnings								
55 - 59	Number								
	Total Annual Earnings								
	Average Annual Earnings								
60 - 64	Number								
	Total Annual Earnings								
	Average Annual Earnings								
65 +	Number								
	Total Annual Earnings								
	Average Annual Earnings								
Total	Number								
	Total Annual Earnings								
	Average Annual Earnings								
Average Age = 52.6									
Average Credited Service = 23.5									

* Information excluded for confidentiality.



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Membership Reconciliation — Defined Benefit Provision

	NorskeCanada Plan	Pacifica Plan
Active and Disabled Members		
■ As at December 31, 2000	104	221
■ Transfers in from Industry Plans	26	3
■ Transfers out due to Mackenzie sale	(4)	0
■ Transfers to DC provision	0	(17)
■ Retirements	(34)	(39)
■ Terminations		
— With lump sum settlement	(1)	(1)
■ Deaths		
— With lump sum settlement	(2)	0
— With survivor's pension	(1)	(1)
■ Data corrections	1	(3)
■ As at December 31, 2003	89	163
Downsized Members		
■ As at December 31, 2000	3	0
■ Retirements	(3)	0
■ As at December 31, 2003	0	0
Retired Members and Beneficiaries		
■ As at December 31, 2000	1,046	38
■ New retirements	69	39
■ New beneficiaries	29	1
■ New limited members	2	3
■ Deaths		
— With lump sum settlement	(2)	0
— With survivor's pension	(26)	0
— Without survivor's pension	(70)	0
■ Guarantee ended	(2)	0
■ Data corrections	9	0
■ As at December 31, 2003	1,055	81

	<i>NorskeCanada Plan</i>	<i>Pacifica Plan</i>
Terminated Vested Members		
■ As at December 31, 2000	296	3
■ Lump sum settlements	(6)	0
■ Retirements	(31)	0
■ Deaths		0
— With survivor's benefit	(2)	0
■ Data corrections	3	(3)
■ As at December 31, 2003	<u>260</u>	<u>0</u>
Transfer to Industry Plan		
■ As at December 31, 2000	15	3
■ Lump sum settlements	0	(2)
■ Retirements	(1)	0
■ As at December 31, 2003	<u>14</u>	<u>1</u>

Summary of Plan Provisions

Defined Benefit Provision – NorskeCanada Plan Provisions

Plan Effective Date

October 1, 1967.

Effective Date of Most Recent Amendment

January 1, 2004.

Definitions

a) **Accrued Pension:**

For service before January 1, 1989:

Former BCFP employees:

For each year of credited service from May 1, 1952 to December 31, 1965, 1.5% of final average earnings.

For each year of credited service after January 1, 1966, 1.0% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

In addition, while not a member of the BCFP Plan, 1.0% of final average earnings for each year of continuous service during the mandatory waiting period under the BCFP Plan, plus 0.5% of final average earnings for each year of continuous service other than the mandatory waiting period.

Former CFIL employees:

For each year of credited service, 1.00% of final average earnings up to final average YMPE, plus 1.75% of final average earnings in excess of final average YMPE.

For service after January 1, 1989 but before January 1, 2002:

For each year of credited service, 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

For service while in a Negotiated Plan:

For each year of credited service under the Negotiated Plan, including the period of continuous service from July 14, 1997 to April 20, 1998 for which credited service was not provided under the Negotiated Plan, 1.0% of final average earnings, less any pension payable under the Negotiated Plan.

For service after January 1, 2002:

Core Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

Contributory Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE. However, in respect of credited service under the Contributory Option, the averaging period of service to determine the Final Average Earnings and Final Average YMPE is thirty-six consecutive calendar months, in lieu of sixty consecutive calendar months.

b) Credited Service:

For former BCFP employees, the total period of membership in the plan. For all other employees, the total period of service with a Participating Company, since the employee's first date of employment.

c) Final Average Earnings:

Average of the pensionable earnings for the sixty consecutive calendar months during the last one hundred twenty calendar months for which such compensation is highest, unless otherwise stated.

d) Final Average YMPE:

Average of the YMPE over the same period as is used in the determination of the Final Average Earnings.

e) Negotiated Plan:

Any pension plan that provides pension benefits under the terms of a collective agreement negotiated with a Participating Company.

f) Pensionable Earnings:

Regular compensation including 100% of short term incentive compensation.

g) YMPE:

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed in the defined benefit provision of the plan. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the contributory option of the plan, the member contributes the following percentage of base salary only:

Age	Contributory Option
Under 30	1.0%
30 – 34	1.5%
35 – 39	2.2%
40 – 44	3.0%
45 – 49	3.7%
50 – 54	4.4%
55 or over	4.6%

Former CFIL members' contributions were refunded as of August 1, 1974. Former BCFP members' contributions prior to July 1, 1979 were deposited in a fully insured group annuity contract issued by the Standard Life Assurance Company and the benefits purchased comprise part of each member's total plan benefit.

Normal Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 65.

b) **Annual Pension:**

Accrued pension.

c) **Maximum Pension:**

Maximum permitted under Income Tax Act regulations for registration of pension plans.

d) **Minimum Pension:**

\$40.00 per month for each year of credited service.

Early Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 55.

b) **Annual Pension:**

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

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Deferred Retirement

a) **Eligibility:**

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

b) **Annual Pension:**

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

a) **Normal Form:**

For service under the Contributory Option:

If a member has a spouse, a pension payable for the member's lifetime with 60% payable to the member's spouse, if surviving, in the case of the member's death. If the member does not have a spouse, 10-year guarantee and life thereafter.

For all other service:

If a member has a spouse, an actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of the member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under the contributory option coverage will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

a) **Before two years of service:**

Refund of member's contributions with interest.

b) *After two years of service:*

Normal retirement benefit accrued to termination date, payable at age 65, or, for a former BCFP Plan member who has completed 20 or more years of service at date of termination, at age 60. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

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Pre – Retirement Death Benefit

a) *Before 2 years of service:*

Refund of member's contributions with interest payable to spouse or beneficiary.

b) *After 2 years of service and before age 55:*

Lump sum payment equal to the commuted value of member's accrued pension payable to spouse or beneficiary.

c) *After 2 years of service and after age 55:*

Survivor pension payable to spouse until death equal to 60% of the member's early retirement benefit, as if the member had retired early and selected the 60% contingent annuitant option. Minimum survivor pension is that which is actuarially equivalent to the commuted value of member's accrued pension.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the Contributory Option.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under the Contributory Option shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Benefit Provision – Pacifica Plan Provisions

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Plan Effective Date

June 8, 1988.

Effective Date of Most Recent Amendment

January 1, 2004.

Definitions

a) Accrued Pension:

For service before July 1, 1996:

For each year of credited service, 2.0% of the average Plan Earnings during the 60 consecutive full months in which the member's Plan Earnings were highest.

For a member employed on or before August 1, 1979, for each year of continuous service prior to enrolment in the Former Plan, 1.0% of the average Plan Earnings during the 60 consecutive full months in which the member's earnings were highest.

For service on and after July 1, 1996:

For each year of credited service:

- the benefit formula rate applicable to the option elected for that year, multiplied by
- the Pensionable Earnings at retirement, averaged over the period applicable to the option elected for that year.

The benefit formula rate and averaging period for pensionable earnings for each option are as follows:

	Core	Option 1	Option 2	Option 3
Benefit formula rate	1.6%	1.6%	2.0%	2.0%
Averaging period	5 years	3 years	5 years	3 years

b) Former Plans:

The Retirement Plan for Salaried Employees of MacMillan Bloedel Limited (Plan 90) and The Retirement Plan for Executive Employees of MacMillan Bloedel Limited (Plan 97).

c) **Pensionable Earnings:**

100% of base salary plus 50% of bonus.

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d) **Plan Earnings:**

65% of the member's pensionable earnings up to the YMPE plus 100% of pensionable earnings in excess of the YMPE.

e) **YMPE:**

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed. All new employees will enrol in the defined contribution provision of the NorskeCanada Plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the three options of the plan, the member contributes the following percentage of base salary only:

Age	Option 1	Option 2	Option 3
Under 30	1.0%	0.5%	2.0%
30 – 34	1.5%	1.0%	3.0%
35 – 39	2.2%	1.2%	4.0%
40 – 44	3.0%	1.6%	5.3%
45 – 49	3.7%	2.0%	6.3%
50 – 54	4.4%	2.2%	7.3%
55 or over	4.6%	2.4%	7.8%

Normal Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 65.

b) **Annual Pension:**

Accrued pension.

c) **Maximum Pension:**

Maximum permitted under Income Tax Act regulations for registration of pension plans.

d) **Minimum Pension:**

For service before July 1, 1996:

\$40.00 per month for each year of continuous service, less any pension payable to the member from any other company-sponsored plan.

For service on and after July 1, 1996:

The pension provided under the benefit formula under the core option and option 1 will not be less than 2.0% of average Plan Earnings, where the average Plan Earnings is based on 5 years and 3 years respectively.

Early Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 55.

b) **Annual Pension:**

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

a) **Eligibility:**

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

b) **Annual Pension:**

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

a) **Normal Form:**

For service prior to July 1, 1996:

If a member has a spouse, actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

For service on or after July 1, 1996:

The normal form of pension depends on which option the member has chosen for each year as follows:

	Core	Option 1	Option 2	Option 3
Without a spouse	5-year guarantee	10-year guarantee	5-year guarantee	10-year guarantee
With a spouse	5-year guarantee	Joint & 60% survivor	5-year guarantee	Joint & 60% survivor

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under one of the enhanced optional coverages will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

a) Before two years of service:

Refund of member's contributions with interest.

b) After two years of service:

Normal retirement benefit accrued to termination date, payable at age 65. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit

a) Before 2 years of service:

Refund of member's contributions with interest payable to spouse or beneficiary.

b) After 2 years of service and before age 55:

Lump sum payment equal to 60% of the commuted value of member's accrued pension payable to spouse or beneficiary.

c) After 2 years of service and after age 55:

If the member does not have a spouse, lump sum payment equal to 60% of the commuted value of member's accrued pension payable to beneficiary.

If the member has a spouse, a pension payable to the member's spouse equal to the greater of: **217**

- an immediate pension payable until death equal to 60% of the member's early retirement benefit, as if the member had retired on the first day of the month in which the member died and selected the 60% contingent annuitant option; and
- the pension which can be provided by 60% of the commuted value of member's accrued pension that would have been payable had the member retired immediately prior to his or her death.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the enhanced options.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under Option 1 or 3 shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Contribution Provision

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Plan Effective Date

January 1, 1994.

Definitions

a) Account:

The individual account established for each DC Member, comprised of the Initial Account Value plus contributions plus investment earned thereon.

b) DC Member:

A member who is entitled to a benefit under the defined contribution provision.

c) Pensionable Earnings:

Base salary including 100% of short term incentive compensation.

d) Initial Account Value:

For any DC Member who was a member of the NorskeCanada Plan on December 31, 1993, the lump sum value, as of December 31, 1993, of the DC Member's defined benefit.

For any DC Member who was a member of the former Pacifica Plan on January 1, 2002, the lump sum value, as of January 1, 2002, of the DC Member's defined benefit.

Eligibility for Membership

i) Former members of the NorskeCanada Plan

Each employee who was a member of the NorskeCanada Plan on December 31, 1993 made an irrevocable election as of December 31, 1993 to be either a defined benefit member ("DB Member") or a DC Member. All employees who join the plan after December 31, 1993 automatically become DC Members.

ii) Former members of the Pacifica Plan

Each employee who was a member of the Pacifica Plan on January 1, 2002 made an irrevocable election as of January 1, 2002 to be either a DB Member or a DC Member. All employees who join the plan after January 1, 2002 automatically become DC Members.

Entitlement of DC Members

Upon retirement, death, or termination a DC Member is entitled to the market value of his or her Account.

Contributions

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Each month the Company deposits 7% of Pensionable Earnings to the Account of each DC Member.

Investment of Accounts

A DC Member's Account is invested in accordance with the member's election of the investment options offered by the Company.

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Norske Skog Canada Limited
Retirement Plan for Salaried Employees
Actuarial Valuation as at December 31, 2003

Certificate of the Employer

I hereby certify that to the best of my knowledge and belief:

- the outstanding contributions of \$380,313 under the defined benefit provision as at December 31, 2003 have been contributed to the plan;
- the information on plan assets forwarded to Towers Perrin Inc. and summarized in Appendix A of this report is complete and accurate;
- the directions from the plan administrator contained in Appendix B of this report are accurate and reflect the plan administrator's judgement of the plan provisions and/or an appropriate basis for the actuarial valuation of the plan;
- the data forwarded to Towers Perrin Inc. and summarized in Appendix C of this report is a complete and accurate description of all persons who are members of the plan, including beneficiaries who are in receipt of a retirement income, in respect of service up to the date of the actuarial valuation; and
- the summary of plan provisions contained in Appendix D of this report is accurate and includes all provisions which have a material effect on the determination of plan contributions and liabilities.

Signature

Date

Name

Title



CATALYST PAPER CORPORATION

RETIREMENT PLAN FOR SALARIED EMPLOYEES

Actuarial Valuation as at December 31, 2006

Registration Numbers:

British Columbia Financial Institutions Commission: P085400
Canada Revenue Agency: 0212076

May 2007

This is Exhibit "F" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 1st day of June 2012

Rachel Cole

A Commissioner for taking Affidavits
within British Columbia

This document is being filed with the Pension Department of the British Columbia Financial Institutions Commission and the Canada Revenue Agency as required by statute. It contains financial information regarding the plan and the employer sponsoring the plan that has been supplied in confidence. If such information were made available to the general public, it could have an adverse effect on the employer's competitive position within the meaning of subsection 21(1) of the *Freedom of Information and Protection of Privacy Act* of British Columbia, and section 22(1) of the British Columbia *Pension Benefits Standards Act*.

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Introduction

This report has been prepared for Catalyst Paper Corporation (the "Company") and presents the results of the actuarial valuation, as at December 31, 2006, of the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "plan").

The principal purposes of the report are:

- to present information on the financial position of the plan on a going concern basis;
- to compare actual and expected experience under the plan on a going concern basis;
- to present information on the financial position of the plan on a solvency basis;
- to provide the basis for employer contributions; and
- to provide the information and the actuarial opinion required by the British Columbia Financial Institutions Commission and the Canada Revenue Agency.

The previous actuarial valuation of the plan was prepared as at December 31, 2003. Since the previous actuarial valuation, the solvency actuarial assumptions have been updated to reflect market conditions at the valuation date. In addition, there have been changes to the going concern actuarial basis as outlined in the report. There have been no changes to the plan provisions since the previous actuarial valuation.

This report summarizes the results of the actuarial valuation and contains an actuarial opinion as an integral part of the report. The supporting detailed information on assets, actuarial basis, membership data and plan provisions is contained in the Appendices.

Effective October 3, 2005, the name of the Company changed from Norske Skog Canada Limited to Catalyst Paper Corporation and the name of the plan was changed from Norske Skog Canada Limited Retirement Plan for Salaried Employees to Catalyst Paper Corporation Retirement Plan for Salaried Employees.

Since the previous actuarial valuation, the Income Tax Act (Canada) was amended to increase the maximum defined benefit pension limits for years after 2005. The financial impact of this change is reflected in this report effective on the valuation date.

Since the previous actuarial valuation, the Canadian Institute of Actuaries approved new *Standards of Practice for Pension Commuted Values*. The new standards have been reflected for purposes of the solvency valuation.

We are not aware of any events which occurred subsequent to the valuation date that would materially change the plan's financial position.

The information contained in this report was prepared for Catalyst Paper Corporation, for its internal use and for filing with the British Columbia Financial Institutions Commission and the Canada Revenue Agency, in connection with Towers Perrin's actuarial valuation of the plan. This report is not intended nor necessarily suitable for other parties or for other purposes. Further distribution of all or part of this report to other parties

(except where such distribution is required by applicable legislation) or other use of this report is expressly prohibited without Towers Perrin's prior written consent.

Going Concern Financial Position

Statement of Financial Position

	December 31, 2006	December 31, 2003
Actuarial Value of Assets		
Defined benefit provision	\$ 251,770,255	\$ 219,353,629
Defined contribution provision	81,143,742	57,466,452
Total actuarial value of assets	<u>\$ 332,913,997</u>	<u>\$ 276,820,081</u>
Actuarial Liability		
Defined Benefit Provision		
Active and disabled members	\$ 60,743,837	\$ 63,751,848
Retired members and beneficiaries	203,347,945	187,889,592
Terminated vested members ¹	4,228,237	5,593,170
Total	<u>\$ 268,320,019</u>	<u>\$ 257,234,610</u>
Defined Contribution Provision	<u>\$ 81,143,742</u>	<u>\$ 57,466,452</u>
Total Actuarial Liability	<u>\$ 349,463,761</u>	<u>\$ 314,701,062</u>
Actuarial Surplus (Unfunded Actuarial Liability)	<u>\$ (16,549,764)</u>	<u>\$ (37,880,981)</u>

Note:

¹ Includes liabilities in respect of members transferred to Industry Plans.

Comment:

- The financial position of the plan on a going concern basis is determined by comparing the actuarial value of assets to the actuarial liability and is a reflection of the assets available for the benefits accrued in respect of credited service prior to the valuation date assuming the plan continues indefinitely.

Reconciliation of Financial Position

Actuarial surplus (unfunded actuarial liability) as at December 31, 2003		\$	(37,880,981)
Net special payments:			
■ Going concern amortization payments	\$	11,949,576	
■ Solvency amortization payments		20,909,695	
■ Transfer deficiency payments		<u>15,503</u>	32,874,774
Expected interest on:			
■ Actuarial surplus (unfunded actuarial liability)	\$	(7,877,336)	
■ Going concern amortization payments		1,031,393	
■ Solvency amortization payments		1,804,759	
■ Transfer deficiency payments		<u>496</u>	(5,040,688)
Plan experience:			
■ Investment gains (losses), net of all expenses	\$	4,478,367	
■ Retirement gains (losses)		(193,716)	
■ Mortality gains (losses)		(3,184,457)	
■ Gains (losses) on transfers in from hourly status		(1,745,218)	
■ Other liability gains (losses)		<u>(781,207)</u>	(1,426,231)
Change in actuarial basis:			
■ Mortality assumptions	\$	1,126,924	
■ Rate of salary increase assumption		951,056	
■ Income Tax Act defined benefit maximum pension limit		(1,076,173)	
■ Discount rate assumption		<u>(6,078,445)</u>	(5,076,638)
Actuarial surplus (unfunded actuarial liability) as at December 31, 2006		\$	(16,549,764)

Solvency Financial Position

Statement of Financial Position

	December 31, 2006	December 31, 2003
Solvency Value of Assets		
<i>Defined Benefit Provision</i>		
Market value of assets	\$ 264,855,413	\$ 208,934,052
Reserve for plan windup expenses	(500,000)	(500,000)
Total solvency value of assets	\$ 264,355,413	\$ 208,434,052
<i>Defined Contribution Provision</i>		
Market value of assets	81,143,742	57,466,452
Total Solvency Value of Assets	\$ 345,499,155	\$ 265,900,504
Solvency Liability		
<i>Defined Benefit Provision</i>		
Active and disabled members	\$ 63,269,635	\$ 51,611,514
Retired members and beneficiaries	234,921,367	198,637,030
Terminated vested members ¹	5,490,688	6,198,024
Total	\$ 303,681,690	\$ 256,446,568
<i>Defined Contribution Provision</i>	81,143,742	57,466,452
Total Solvency Liability	\$ 384,825,432	\$ 313,913,020
Solvency Surplus (Unfunded Solvency Liability)	\$ (39,326,277)	\$ (48,012,516)
Solvency Ratio ²	0.87	0.81

Notes:

¹ Includes liabilities in respect of members transferred to Industry Plans.

² As the solvency ratio is less than 1.00, transfer deficiencies must be paid over five years unless the transfer deficiencies are within the limits prescribed by the Regulations to the Pension Benefits Standards Act (British Columbia) or the employer remits additional contributions in respect of the transfer deficiencies.

Comment:

- The financial position of the plan on a solvency basis is determined by comparing the solvency value of assets to the solvency liability (the actuarial present value of benefits accrued in respect of credited service prior to the valuation date, calculated as if the plan were wound up on that date).

Determination of the Statutory Solvency Deficiency

The minimum funding requirements under the Regulation to the Pension Benefits Standards Act (British Columbia) are based on the statutory solvency deficiency as at the valuation date. In calculating the statutory solvency deficiency, various adjustments can be made to the solvency financial position including:

- recognition of the present value of existing amortization payments, including any going concern amortization payments established at the valuation date, due to be paid within the periods prescribed by the Regulation; and
- smoothing of the asset value by use of an averaging technique.

To the extent that there exists a statutory solvency deficiency, after taking account of these adjustments, additional amortization payments must be made. If there is no statutory solvency deficiency, the statutory solvency excess may be used to reduce the period of any existing solvency amortization payments.

Statutory Solvency Deficiency

	<i>December 31, 2006</i>	<i>December 31, 2003</i>
Solvency surplus (unfunded solvency liability)	\$ (39,326,277)	\$ (48,012,516)
Adjustments to solvency position:		
■ Present value of existing amortization payments ¹	\$ 22,000,414	\$ 17,460,192
■ Smoothing of asset value ²	N/A	N/A
■ Total	\$ 22,000,414	\$ 17,460,192
Statutory solvency excess (statutory solvency deficiency)	\$ (17,325,863)	\$ (30,552,324)

Notes:

¹ Reflects any changes made in this valuation to going concern amortization schedules. See next page for details at December 31, 2006.

² The solvency financial position was not adjusted to reflect the smoothing of the asset value by use of an averaging technique.

Details of Present Value of Existing Amortization Payments

<i>Type of payment</i>	<i>Effective date</i>	<i>Month of last payment recognized in calculation</i>	<i>Annual amortization payment</i>	<i>Present value as at December 31, 2006 (at 4.50% per annum)</i>
Going concern	Jan. 1, 2004	Dec. 2011	\$ 1,955,889	\$ 8,729,873
Solvency	Jan. 1, 2004	Dec. 2008	6,969,898	13,270,541
Total			\$ 8,925,787	\$ 22,000,414

Contributions

Normal Actuarial Cost and Amortization Payments (Ensuing Year)

	December 31, 2006	December 31, 2003
Employer Normal Actuarial Cost		
Defined Benefit Provision		
Estimated annual contribution	\$ 2,622,135	\$ 3,608,623
Estimated annual payroll (including incentive compensation)	\$ 19,357,165	\$ 24,994,659
% of payroll	13.55%	14.44%
Defined Contribution Provision		
Estimated annual contribution	\$ 5,348,006	\$ 4,681,992
Estimated annual payroll (including incentive compensation)	\$ 76,400,087	\$ 66,885,600
% of payroll	7.00%	7.00%
Annual Amortization Payments		
Going concern	\$ 1,955,889	\$ 3,983,192
Solvency	10,851,680	6,969,898
Total	\$ 12,807,569	\$ 10,953,090
Estimated Member Contributions		
Defined benefit provision	\$ 407,514	\$ 463,465

Comments:

- Since the previous valuation, the defined benefit normal actuarial cost rate has decreased by 0.89% of payroll, due to the following changes:
 - Membership profile (1.24)%
 - Mortality assumption (0.27)
 - Rate of salary increase assumption (0.32)
 - Income Tax Act defined benefit maximum pension limit 0.35
 - Discount rate assumption 0.59
 - Total (0.89)%
- The schedule of amortization payments shown in the actuarial opinion provides details on the dates these payments were established and the liquidation periods.

Timing of Contributions

To satisfy the requirements of British Columbia pension legislation, the employer defined benefit normal actuarial cost and amortization payments must be paid quarterly and within 30 days of the quarter to which they pertain, while the employer defined contribution normal actuarial cost must be paid monthly and within 30 days of the month to which they pertain. Members' contributions must be remitted to the fund monthly and within 30 days of the month to which they pertain. To satisfy the requirements of the Income Tax Act (Canada), employer contributions that are remitted to the plan in the taxation year or within 120 days after the end of such taxation year are deductible in such taxation year provided they were made to fund benefits in respect of periods preceding the end of the taxation year.

Other Statutory Contributions

Additional contributions may be required in respect of the transfer values for terminating members. Where applicable, such additional contributions must be remitted before the related transfer value may be paid to the terminated member. Details are provided on page 5.

Future Contribution Levels

Future contribution levels may change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which has been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future actuarial valuations.

Actuarial Opinion

In our opinion, for the purposes of the going concern valuation and the solvency valuation, the data on which the valuations are based are sufficient and reliable, the assumptions are, in aggregate, appropriate and the methods employed in the valuations are appropriate. This report has been prepared, and our opinion has been given, in accordance with accepted actuarial practice. The valuations have been conducted in accordance with the funding and solvency standards prescribed by the Pension Benefits Standards Act (British Columbia) and Regulation thereto, and in conformity with the requirements of the Income Tax Act (Canada) and Regulation thereto. This actuarial opinion forms an integral part of the report.

Based on the results of these valuations, we hereby certify that, in our opinion, as at December 31, 2006:

- The actuarial surplus (unfunded actuarial liability), determined by comparing the actuarial liability, the measure of obligations of the plan on a going concern basis, to the actuarial value of assets, is \$(16,549,764).
- The unfunded actuarial liability is \$16,549,764 and must be liquidated by employer amortization payments, payable quarterly in arrears, at least equal to the amounts and for the periods set forth below in order to comply with the Regulation to the Pension Benefits Standards Act (British Columbia).

<i>Effective date</i>	<i>Month of last payment</i>	<i>Annual amortization payment</i>	<i>Present value as at December 31, 2006 (at 6.25% per annum)</i>
Jan. 1, 2004	Dec. 2012	\$ 1,955,889	\$ 16,549,764

- The solvency surplus (unfunded solvency liability), determined by comparing the solvency liability, the measure of the obligations of the plan on a windup basis, to the solvency value of assets is \$(39,326,277).
- The statutory solvency excess (deficiency) revealed at this valuation is \$(17,325,863). This statutory solvency deficiency together with the remaining statutory solvency deficiency from the previous actuarial valuation must be liquidated by employer amortization payments, payable quarterly in arrears, at least equal to the amounts and for the periods set forth below in order to comply with the Regulation to the Pension Benefits Standards Act (British Columbia).

<i>Effective date</i>	<i>Month of last payment</i>	<i>Annual amortization payment</i>	<i>Present value as at December 31, 2006 (at 4.50% per annum)</i>
Jan. 1, 2004	Dec. 2008	\$ 6,969,898	\$ 13,270,541
Jan. 1, 2007	Dec. 2011	3,881,782	17,325,863
Total		\$ 10,851,680	\$ 30,596,404

- If the plan had been wound up on the valuation date, the market value of plan assets would have been less than the actuarial liabilities of the plan.
- The excess actuarial surplus, pursuant to Section 147.2(2) of the Income Tax Act (Canada), is \$0.
- The rule for computing the employer defined benefit normal actuarial cost is 13.55% of payroll. Based on the plan membership used for this valuation, the normal actuarial cost for the next three years is estimated to be:

Defined Benefit Provision

Year	Estimated member contributions	Estimated employer normal actuarial cost	Estimated payroll (including incentive compensation)
2007	\$ 407,514	\$ 2,622,135	\$ 19,357,165
2008	\$ 387,179	\$ 2,404,671	\$ 17,746,648
2009	\$ 361,586	\$ 2,198,591	\$ 16,225,761

The rule for computing the employer defined contribution normal actuarial cost is stipulated in the plan. Based on the plan membership used in this valuation, the defined contribution requirement for the next three years is estimated to be:

Defined Contribution Provision

Year	Estimated employer normal actuarial cost
2007	\$ 5,348,006
2008	\$ 5,508,446
2009	\$ 5,673,700


The employer is required to make normal actuarial cost contributions to the plan in accordance with the above rules until the effective date of the next actuarial certification.

- The Income Tax Act (Canada) permits the employer to make a contribution equal to the sum of the normal actuarial cost and the windup deficiency of \$39,326,277, less the amortization payments made in respect of periods since January 1, 2007, provided that at the time the contribution is made all assumptions made in this valuation remain reasonable and the unfunded solvency liability persists.
- The solvency ratio, as defined in the Regulation to the Pension Benefits Standards Act (British Columbia), is 0.87.

- In accordance with the Regulation to the Pension Benefits Standards Act (British Columbia), the next actuarial valuation should be performed with an effective date not later than December 31, 2009. The basis for employer contributions presented in this report is effective until the next actuarial opinion is filed.

The results presented in this report have been developed using a particular set of actuarial assumptions. Other results could have been developed by selecting different actuarial assumptions. The results presented in this report are reasonable actuarial results based on actuarial assumptions reflecting our expectation of future events.

Towers Perrin Inc.



Bernard Mercier, FCIA

May 22, 2007

Date

Assets

Statement of Market Value

	December 31, 2006	December 31, 2003
Defined Benefit Provision		
Invested assets:		
■ Cash and short term investments	\$ 289,350	\$ 944,394
■ Bonds and debentures	98,392,234	78,374,529
■ Canadian equities	52,772,568	64,757,348
■ Foreign equities	109,115,339	61,114,393
■ Investment income receivable	1,133,676	3,200,881
■ Total invested assets:	\$ 261,703,167	\$ 208,391,545
Net outstanding amounts:		
■ Group annuities	\$ 20,341	\$ 162,194
■ Contributions receivable	3,437,390	380,313
■ Expenses and other payables	(305,485)	0
■ Total net outstanding amounts	\$ 3,152,246	\$ 542,507
Total	\$ 264,855,413	\$ 208,934,052
Defined Contribution Provision		
Invested assets	\$ 81,143,742	\$ 57,466,452
Total Market Value of Assets	\$ 345,999,155	\$ 266,400,054

Comments:

- The assets of the plan are invested, along with those of other Company retirement plans, in the Catalyst Paper Corporation Master Trust. The invested asset allocation shown above reflects the plan's pro rata share of each asset class of the Catalyst Paper Corporation Master Trust.
- The invested assets are held by CIBC Mellon under account number F441500.
- The data relating to the invested assets are based on the audited financial statements issued by KPMG LLP and the financial statements by CIBC Mellon. All of this information has been relied upon by Towers Perrin following tests of reasonableness with respect to contributions, benefit payments and investment income. Towers Perrin does not accept responsibility for the information provided by KPMG LLP and by CIBC Mellon.

- The outstanding contributions receivable of \$3,437,390 is comprised of \$34,441 of employee contributions, \$664,676 of employer defined benefit normal actuarial cost, \$995,798 of going concern amortization payments and \$1,742,475 of solvency amortization payments.
- The value of the group annuities, which were purchased under predecessor plans in respect of current members, has been determined using the actuarial assumptions outlined in Appendix B.
- The assets of the defined contribution provision are held by Manulife Financial in individual accounts for each of the members participating in the DC plan. The market value of DC plan assets as at December 31, 2005 includes assets of \$8,307,448 in respect of inactive DC members.

**Reconciliation of Invested Assets (Market Value) —
 Defined Benefit Provision**

Assets as at December 31, 2003		\$	208,391,545
Receipts:			
■ Contributions:			
— Employer normal actuarial cost	\$	8,748,347	
— Employer amortization payments		30,120,998	
— Employer transfer deficiency contributions		15,503	
— Member required contributions		1,318,155	
■ Investment return, net of investment expenses			\$ 40,203,003
■ Total receipts			<u>74,589,076</u>
		\$	114,792,079
Disbursements:			
■ Benefit payments:			
— Pension payments	\$	58,163,557	
— Lump sum settlements		697,398	
■ Non-investment expenses			\$ 58,860,955
■ Total disbursements			<u>2,619,502</u>
		\$	61,480,457
Assets as at December 31, 2006		\$	261,703,167

Comments:

- This reconciliation is based on the audited financial statements issued by KPMG LLP and the financial statements issued by CIBC Mellon.
- The rate of return earned on the market value of assets, net of all expenses, from December 31, 2003 to December 31, 2006 is approximately 10.8% per year.

**Development of the Actuarial Value of Assets — Defined Benefit Provision
Total Assets Held in the Catalyst Paper Corporation Master Trust**

	Adjusted Market Value Beginning from:				
	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006
Adjusted market value as at December 31, 2002	\$ 215,005,886 ¹				
Net non-investment cash flow for 2003 ²	(20,781,643)				
Assumed investment return (5.40%)	11,049,213				
Adjusted market value as at December 31, 2003	\$ 205,273,456	\$ 215,962,639 ¹			
Net non-investment cash flow for 2004 ²	(7,773,595)	(7,773,595)			
Assumed investment return (4.70%)	9,465,173	9,967,565			
Adjusted market value as at December 31, 2004	\$ 206,965,034	\$ 218,156,609	\$ 226,367,056 ¹		
Net non-investment cash flow for 2005 ²	(4,909,685)	(4,909,685)	(4,909,685)		
Assumed investment return (5.20%) ³	10,634,530	11,216,492	11,643,435		
Adjusted market value as at December 31, 2005	\$ 212,689,879	\$ 224,463,416	\$ 233,100,806	\$ 249,155,799 ¹	
Net non-investment cash flow for 2006 ²	(5,595,543)	(5,595,543)	(5,595,543)	(5,595,543)	
Assumed investment return (6.50%) ³	13,642,987	14,408,267	14,969,697	16,013,272	
Adjusted market value as at December 31, 2006	\$ 220,737,323	\$ 233,276,140	\$ 242,474,960	\$ 259,573,526	\$ 275,820,155 ¹
Actuarial Value of Assets					
Average of the five adjusted market values as at December 31, 2006					
Corridor maximum value – 105% of market value	\$ 246,376,421				
Corridor minimum value – 95% of market value	289,611,163				
Actuarial value of assets as at December 31, 2006 ⁴	262,029,147				
Ratio of actuarial value of assets over market value of assets (\$262,029,147 / \$275,820,155)	\$ 262,029,147				
	0.9500				

Notes:

- ¹ Market value of invested assets held in trust at the indicated date.
- ² Contributions less benefit payments and non-investment expenses.
- ³ Non-investment cash flow assumed to occur uniformly throughout the year.



Development of Actuarial Value of Assets as of December 31, 2006

Actuarial Value of Plan Invested Assets – Defined Benefit Provision

Market value of Plan assets	\$ 261,703,167
Ratio of Master Trust actuarial value of assets over market value of assets	x 0.9500
Actuarial value of invested Plan assets	\$ 248,618,009
Net outstanding amounts:	
■ Group annuities	20,341
■ Contributions receivable	3,437,390
■ Expenses and other payables	(305,485)
Total	\$ 251,770,255

Actuarial Basis

Defined Benefit Provision — Going Concern

Asset Valuation Method

The actuarial value of assets was calculated as the average of the market value of invested assets at the valuation date and the four previous adjusted market values. The adjusted market values at the current valuation date were developed from the fund's market value at the four preceding year-ends. To obtain these adjusted market values, the market values at December 31 of each of the four preceding years were accumulated to the valuation date with net contributions and assumed investment return. Net contributions were calculated as contributions less benefit payments and non-investment expenses and were assumed to occur uniformly throughout each year. Assumed investment return was calculated assuming that each year the assets earned interest at the average 3-month Canada Treasury Bill rate during the year plus 2.5%.

To ensure that the asset valuation method develops an asset value that appropriately tracks market values over time, the emerging actuarial value of assets is adjusted, if necessary, so that it falls within 5% of the market value of assets ("5% corridor").

The actuarial value of invested assets is first calculated in aggregate for all the pension plans which participate in the Catalyst Paper Corporation Master Trust. A ratio equal to the actuarial value of the assets over the market value of the assets for all of the pension plans which participate in the Catalyst Paper Corporation Master Trust is then calculated. The actuarial value of assets for the plan is calculated as the market value of the invested assets of the plan multiplied by the above ratio. The actuarial value of assets for the plan is then adjusted for any outstanding amounts and for the value of insured group annuity contracts held by the Company to provide a portion of some members' benefits.

Actuarial Cost Method

The actuarial liability and the normal actuarial cost were calculated using the projected unit credit cost method.

Prospective benefits were calculated for each active and disabled member according to the plan provisions and actuarial assumptions. The actuarial liability was calculated as the actuarial present value of the member's projected future benefits accrued for credited service to the valuation date (the benefit prorate method). The calculation of the actuarial present value of the member's prospective benefits reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the member's contributions with interest.

The actuarial liability for retired members and beneficiaries and terminated vested members was calculated as the actuarial present value of their respective benefits.

The normal actuarial cost for each active and disabled member was calculated as the actuarial present value of the member's prospective benefits accruing in respect of credited service in the ensuing year, but not less than the member's required contributions. The employer normal actuarial cost for each active and disabled member was determined as the excess of the total normal actuarial cost over the member's required

contributions. The normal actuarial cost rate determined by the projected unit credit cost method will be stable over time if the demographic characteristics of the active and disabled plan membership remain stable from valuation to valuation. All other things being equal, an active and disabled membership whose average age increases (decreases) between actuarial valuations will result in an increasing (decreasing) normal actuarial cost rate.

This valuation assumes that the defined benefit employer normal actuarial cost rate remains constant as a percentage of payroll (including incentive compensation) over the next three year period. The payroll (including incentive compensation) for the defined benefit membership has been projected using the assumptions provided in Appendix B of this report.

Benefit Security

The purpose of the going concern actuarial cost method is to assign a value to the benefits accrued to the valuation date under the plan and to measure the value of benefits accruing in ensuing years. A comparison of the actuarial value of assets with the actuarial liability measured under the projected unit credit cost method gives an indication of the security of the benefits earned to date (only in respect to those benefits included in the liability measure) based on the going concern actuarial assumptions used in the actuarial valuation.

Defined Benefit Provision — Solvency

Asset Valuation Method

The market value of assets has been used for the solvency valuation, adjusted for net outstanding amounts. The resulting value has been reduced by a provision for plan windup expenses.

Actuarial Cost Method

The solvency liability was calculated using the unit credit cost method.

The solvency liability for active and disabled members was calculated as the actuarial present value of all benefits accrued up to the valuation date (treating all members as if vested). This calculation reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the member's contributions with interest.

The solvency liability for retired members and beneficiaries and terminated vested members was calculated as the actuarial present value of their respective benefits.

Benefit Security

The purpose of the solvency actuarial cost method is to assign a value to the benefits accrued to the valuation date under the plan assuming the plan were to terminate as at the valuation date. A comparison of plan assets with the liabilities measured under the unit credit cost method gives an indication of the security of the benefits earned to date (only in respect of those benefits included in the liability measure) based on the actuarial assumptions used in these actuarial valuations.

Other Considerations

The solvency assumptions do not include a provision for adverse deviation.

The solvency actuarial valuation has been prepared on a hypothetical basis. In the event of an actual plan windup, the plan assets may have to be allocated between various classes of plan members or beneficiaries as required by applicable pension legislation. Such potential allocation has not been performed as part of this solvency valuation.

Defined Contribution Provision

For the purposes of the going concern and solvency valuations, the determination of the actuarial liability and normal actuarial cost for the defined contribution provision does not involve the use of an actuarial cost method, nor does it involve actuarial assumptions. By definition, the actuarial liability under the defined contribution provision corresponds with the aggregate market value of the members' defined contribution accounts at the valuation date.

The employer normal actuarial cost for each active and disabled member was calculated as the expected aggregate contribution to be made to the members' defined contribution accounts in the year following the valuation date. The expected contribution to be made to each member's defined contribution account was determined based on each member's pensionable earnings at the valuation date.

Benefit Security

Benefits under this provision are always fully secured since the associated assets and liabilities are always equal.

Assumptions — Defined Benefit Provision

	Going Concern	Solvency
Economic Assumptions (per annum)		
Liability discount rate	6.25% ¹	Settlement by: ■ Commuted value: 4.75% for 10 years, 4.75% thereafter ² ■ Annuity purchase: 4.50% ³
Discount rate for determining amortization payments	6.25% ¹	4.50% ^{3, 4}
Rate of salary increase	3.0% ⁵	N/A; actual earnings history used
Escalation of YMPE under Canada/Québec Pension Plan	2.5% ⁶	N/A
Escalation of Income Tax Act (Canada) maximum pension limitation	\$2,222.22 in 2007, \$2,333.33 in 2008, \$2,444.44 in 2009 and then indexed at 2.5% starting 2010 ⁷	N/A
Interest on members' contributions	3.25% ⁸	N/A
Demographic Assumptions		
Mortality	1994 Uninsured Pensioner Mortality Table, projected to 2015 using Scale AA ⁹	1994 Uninsured Pensioner Mortality Table, projected to 2015 using Scale AA ¹⁰
Withdrawal	Service-related rates (details on page B-6)	N/A
Disability incidence/recovery	Nil ¹¹	N/A
Retirement	Age-related rates (details on page B-6)	Described in detail on page B-7
Other		
Percentage of members with eligible spouses at pension commencement	90%	Same
Years male spouse older than female spouse	3	Same
Incentive compensation	Actual target bonus used	NA; actual bonus history used
Settlement election on plan windup	N/A	■ Inactive members and active and disabled members age 55 or older: annuity purchase ■ Other members: commuted value

	Going Concern	Solvency
Provision for expenses	None; return on plan assets is net of all expenses	\$500,000 Details on page B-6

Notes:

- ¹ 6.5% at the previous valuation.
- ² 6.0% for 15 years and 6.0% thereafter at the previous valuation.
- ³ 5.25% at the previous valuation.
- ⁴ For the solvency valuation, the discount rate for determining the present value of special payments has been determined as the weighted average discount rate for determining the solvency liabilities rounded to the nearest 0.25%.
- ⁵ 3.5% at the previous valuation.
- ⁶ 3.0% at the previous valuation.
- ⁷ The Income Tax Act (Canada) maximum pension limit of \$2,000.00 per year of service in 2005 was indexed at 3.0% starting in 2006 at the previous valuation.
- ⁸ 6.5% at the previous valuation.
- ⁹ Fully generational 1994 Uninsured Pensioner Mortality Table projected using Scale AA at the previous valuation.
- ¹⁰ 1983 Group Annuity Mortality Table at the previous valuation.
- ¹¹ There are no disability benefits under the plan other than the accrual of retirement income (earnings remain constant) during disability. Consequently, the assumption of no incidence of disability or recovery therefrom makes an appropriate allowance, in combination with the other assumptions, for such continued accruals.

Method of Calculating Solvency Discount Rates

In the event of a plan windup, it is expected that a portion of the liabilities will be settled by a group annuity purchase and the balance of the liabilities will be settled by commuted value transfers.

For the calculation of the portion of the solvency liability relating to the benefits that are expected to be settled by a group annuity purchase, the liability discount rate corresponds to an approximation of the group annuity purchase rates as at the valuation date following consideration of the Canadian Institute of Actuaries' Educational Note published in 2007 by the Pension Plan Financial Reporting Committee providing guidance on assumptions for windup, hypothetical windup and solvency valuations.

For the calculation of the portion of the solvency liability relating to the benefits that are expected to be settled by commuted value transfers, the liability discount rates have been determined in accordance with the *Standards of Practice for Pension Commuted Values* approved by the Canadian Institute of Actuaries effective May 1, 2006. For this valuation, the December 2006 rates have been used. At the previous valuation, the liability discount rates were determined in accordance with the *Recommendations for the Computation of Transfer Values from Registered Pension Plans* approved by the Canadian Institute of Actuaries effective September 1, 1993.

Retirement and Withdrawal Assumptions (Going Concern)

Withdrawal Rates

<i>Service Years</i>	<i>All members</i>
1	0.180
2	0.160
3	0.140
4	0.120
5	0.100
6	0.080
7	0.060
8	0.050
9	0.040
10	0.035
11	0.030
12	0.025
13	0.020
14	0.015
15	0.010
More than 15	0.000

Retirement Rates

<i>Age</i>	<i>All members</i>
55 to 59	0.150
60	0.350
61	0.350
62	0.350
63	0.350
64	0.350
65	1.000

Retirement Assumptions (Solvency)

- Members eligible to retire: retire immediately.
- Former BCFP members with at least 20 years service: retire at age 60.
- Other members: retire at age 65.

Expense Assumption (Solvency)

Allowance was made for normal administrative, actuarial, legal and other costs which would be incurred if the plan were to be wound up (excluding costs relating to the resolution of surplus issues). The valuation is premised on a scenario in which the employer discontinues its operations on the windup date and all costs incurred as a result of plan windup were assumed to be paid from the pension fund.

Direction From Plan Administrator

For purposes of preparing this valuation report, the plan administrator has directed that:

- This report is to be prepared on the basis that there will be no retroactive changes to previously filed partial windup reports, if any, and neither the applicable pension regulator nor the plan sponsor will order/declare any partial plan windups effective prior to the valuation date. To the extent a prior report is changed or a new partial plan windup is declared, certain financial measures, including liabilities, the amount of assets available for members' pension benefit entitlements and contribution requirements, contained in this report may be impacted.
- The plan sponsor has previously merged one or more registered pension plans into this plan, and the merger(s) and related actuarial valuation reports have been approved by the applicable pension regulator. There was no undertaking to keep separate the assets and liabilities of the merging plans. Therefore, this report is to be prepared for the merged plan as a whole.

Membership Data

Summary of Membership

	December 31, 2006	December 31, 2003
Defined Benefit Provision		
Active and disabled members:		
■ Number	193	252
■ Average age	53.3	52.6
■ Average credited service	25.4	23.5
■ Annual payroll (including incentive compensation)	\$ 19,357,165	\$ 24,944,662
■ Average salary	\$ 100,296	\$ 99,185
■ Accumulated contributions with interest	\$ 2,789,623	\$ 2,027,097
Retired members and beneficiaries:		
■ Number	1,167	1,136
■ Average age	72.7	71.4
■ Total lifetime annual pension	\$ 19,786,432	\$ 18,718,033
■ Average lifetime annual pension	\$ 16,955	\$ 16,477
Terminated vested members ¹ :		
■ Number	232	275
■ Average age	57.0	55.0
■ Total lifetime annual pension	\$ 606,333	\$ 786,015
■ Average lifetime annual pension	\$ 2,614	\$ 2,858
Defined Contribution Provision		
Active and disabled members:		
■ Number	696	711
■ Annual payroll (including incentive compensation)	\$ 76,400,087	\$ 66,885,600
■ Total account value	\$ 81,143,742	\$ 49,159,009
■ Average account value	\$ 116,586	\$ 69,141

Note:

¹ Includes members transferred to Industry Plans.

The membership distribution by benefit accrual option as at December 31, 2006 is as follows:

■ Core option	96
■ Option 1	69
■ Option 2	8
■ Option 3	20
Total	193

Comment:

- Active and disabled membership data were supplied by Catalyst Paper Corporation as at December 31, 2006. Towers Perrin does not accept responsibility for the data supplied by Catalyst Paper Corporation.

Review of Membership Data

The membership data was reviewed for reasonableness and found to be sufficient and reliable for the purposes of the valuation. Elements of the data review included the following:

- ensuring that the data were intelligible (i.e., that an appropriate number of records was obtained, that the appropriate data fields were provided and that the data fields contained valid information);
- preparation and review of membership reconciliations to ascertain that the complete membership of the pension plan was accounted for;
- preparation and review of age and service distributions for active and disabled members for reasonableness;
- comparison, for active and disabled members, of average age, average salary (including incentive compensation), aggregate employee contribution account balances and average pensionable service to the prior valuation data for reasonableness;
- comparison, for active and disabled members, of aggregate employee contribution data to actual employee contribution remittances made to the plan for the period since the previous valuation date;
- comparison, for terminated vested members, of average age and average deferred pensions to the prior valuation data for reasonableness;
- comparison, for retired members and beneficiaries, of average age and average pensions to the prior valuation data for reasonableness; and
- comparison of aggregate pension payments to actual payments made from the plan for the period prior to the valuation date.

Distribution of Membership

The following distribution relates to members under the defined benefit provision:

- Page C-4 Active and disabled members

The following meanings have been assigned to age, credited service and pensionable earnings:

- Age Age rounded as at December 31, 2006
- Credited Service Credited service as at December 31, 2006
- Pensionable Earnings Annual rate of salary, including incentive compensation, as at January 1, 2007

Active and Disabled Members – Age/Service Distribution

Age		Credited Service										Total
		0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +			
< 20	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
20 - 24	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
25 - 29	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
30 - 34	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
35 - 39	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
40 - 44	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
45 - 49	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
50 - 54	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
55 - 59	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
60 - 64	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
65 +	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											
Total	Number											
	Total Pensionable Earnings											
	Average Pensionable Earnings											

* Excluded for confidentiality purposes.

Average Age = 53.3 Average Credited Service = 25.4

Membership Reconciliation — Defined Benefit Provision

Active and disabled members:

■ As at December 31, 2003	252
■ Transfers in from hourly status	15
■ Retirements	(66)
■ Terminations:	
— With lump sum settlement	(3)
— With deferred pension entitlement	(2)
■ Deaths:	
— With lump sum settlement	(2)
— With survivor's pension	(1)
■ As at December 31, 2006	<hr/> 193

Retired members and beneficiaries:

■ As at December 31, 2003	1,136
■ New retirements	108
■ New beneficiaries	42
■ Deaths:	
— Without survivor's pension	(78)
— With survivor's pension	(40)
■ Data corrections	3
■ As at December 31, 2006	<hr/> 1,171

Terminated vested members:

■ As at December 31, 2003	275
■ New vested terminations	2
■ Lump sum settlements	(2)
■ Retirements	(42)
■ Deaths:	
— With survivor's pension	(1)
■ As at December 31, 2006	<hr/> 232

Summary of Plan Provisions

The following is an outline of the principal features of the plan which are of financial significance to valuing the plan benefits. This summary is based on the most recently restated plan document as of January 1, 2004 and its related amendments. For a detailed description of the benefits, please refer to the plan document.

Persons employed by the Company in a permanent full-time salaried position or a permanent part-time salaried position are eligible for membership in the plan. The defined benefit provision of the plan is closed to new entrants with the exception of employees who transfer from an hourly to a salaried position and who were employed by the Company on or before January 1, 2004 (June 30, 2006 for former Pacifica employees). All other new entrants are automatically enrolled in the defined contribution provision.

Defined Benefit Provision – NorskeCanada Plan Provisions

Plan Effective Date

October 1, 1967.

Effective Date of Most Recent Amendment

October 3, 2005 (name change only).

Definitions

a) **Accrued Pension:**

For service before January 1, 1989:

Former BCFP employees:

For each year of credited service from May 1, 1952 to December 31, 1965, 1.5% of final average earnings.

For each year of credited service after January 1, 1966, 1.0% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

In addition, while not a member of the BCFP Plan, 1.0% of final average earnings for each year of continuous service during the mandatory waiting period under the BCFP Plan, plus 0.5% of final average earnings for each year of continuous service other than the mandatory waiting period.

Former CFIL employees:

For each year of credited service, 1.00% of final average earnings up to final average YMPE, plus 1.75% of final average earnings in excess of final average YMPE.

For service after January 1, 1989 but before January 1, 2002:

For each year of credited service, 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

For service while in a Negotiated Plan:

For each year of credited service under the Negotiated Plan, including the period of continuous service from July 14, 1997 to April 20, 1998 for which credited service was not provided under the Negotiated Plan, 1.0% of final average earnings, less any pension payable under the Negotiated Plan.

For service after January 1, 2002:

Core Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

Contributory Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE. However, in respect of credited service under the Contributory Option, the averaging period of service to determine the Final Average Earnings and Final Average YMPE is thirty-six consecutive calendar months, in lieu of sixty consecutive calendar months.

b) Credited Service:

For former BCFP employees, the total period of membership in the plan. For all other employees, the total period of service with a Participating Company, since the employee's first date of employment.

c) Final Average Earnings:

Average of the pensionable earnings for the sixty consecutive calendar months during the last one hundred twenty calendar months for which such compensation is highest, unless otherwise stated.

d) Final Average YMPE:

Average of the YMPE over the same period as is used in the determination of the Final Average Earnings.

e) Negotiated Plan:

Any pension plan that provides pension benefits under the terms of a collective agreement negotiated with a Participating Company.

f) Pensionable Earnings:

Regular compensation including 100% of short term incentive compensation.

g) YMPE:

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed in the defined benefit provision of the plan. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the contributory option of the plan, the member contributes the following percentage of base salary only:

Age	Contributory Option
Under 30	1.0%
30 – 34	1.5%
35 – 39	2.2%
40 – 44	3.0%
45 – 49	3.7%
50 – 54	4.4%
55 or over	4.6%

Former CFIL members' contributions were refunded as of August 1, 1974. Former BCFP members' contributions prior to July 1, 1979 were deposited in a fully insured group annuity contract issued by the Standard Life Assurance Company and the benefits purchased comprise part of each member's total plan benefit.

Normal Retirement

a) Eligibility:

First day of the month coincident with or next following attainment of age 65.

b) Annual Pension:

Accrued pension.

c) **Maximum Pension:**

Maximum permitted under Income Tax Act regulations for registration of pension plans.

d) **Minimum Pension:**

\$40.00 per month for each year of credited service.

Early Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 55.

b) **Annual Pension:**

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

a) **Eligibility:**

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

b) **Annual Pension:**

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

a) **Normal Form:**

For service under the Contributory Option:

If a member has a spouse, a pension payable for the member's lifetime with 60% payable to the member's spouse, if surviving, in the case of the member's death. If the member does not have a spouse, 10-year guarantee and life thereafter.

For all other service:

If a member has a spouse, an actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of the member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under the contributory option coverage will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

a) Before two years of service:

Refund of member's contributions with interest.

b) After two years of service:

Normal retirement benefit accrued to termination date, payable at age 65, or, for a former BCFP Plan member who has completed 20 or more years of service at date of termination, at age 60. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit

a) Before 2 years of service:

Refund of member's contributions with interest payable to spouse or beneficiary.

b) After 2 years of service and before age 55:

Lump sum payment equal to the commuted value of member's accrued pension payable to spouse or beneficiary.

c) After 2 years of service and after age 55:

Survivor pension payable to spouse until death equal to 60% of the member's early retirement benefit, as if the member had retired early and selected the 60% contingent annuitant option. Minimum survivor pension is that which is actuarially equivalent to the commuted value of member's accrued pension.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the Contributory Option.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under the Contributory Option shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Benefit Provision – Pacifica Plan Provisions

Plan Effective Date

June 8, 1988.

Effective Date of Most Recent Amendment

October 3, 2005 (name change only).

Definitions

a) **Accrued Pension:**

For service before July 1, 1996:

For each year of credited service, 2.0% of the average Plan Earnings during the 60 consecutive full months in which the member's Plan Earnings were highest.

For a member employed on or before August 1, 1979, for each year of continuous service prior to enrolment in the Former Plan, 1.0% of the average Plan Earnings during the 60 consecutive full months in which the member's earnings were highest.

For service on and after July 1, 1996:

For each year of credited service:

- the benefit formula rate applicable to the option elected for that year, multiplied by
- the Pensionable Earnings at retirement, averaged over the period applicable to the option elected for that year.

The benefit formula rate and averaging period for pensionable earnings for each option are as follows:

	<i>Core</i>	<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>
Benefit formula rate	1.6%	1.6%	2.0%	2.0%
Averaging period	5 years	3 years	5 years	3 years

b) Pensionable Earnings:

100% of base salary plus 50% of bonus.

c) Plan Earnings:

65% of the member's pensionable earnings up to the YMPE plus 100% of pensionable earnings in excess of the YMPE.

d) YMPE:

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the three options of the plan, the member contributes the following percentage of base salary only:

Age	Option 1	Option 2	Option 3
Under 30	1.0%	0.5%	2.0%
30 – 34	1.5%	1.0%	3.0%
35 – 39	2.2%	1.2%	4.0%
40 – 44	3.0%	1.6%	5.3%
45 – 49	3.7%	2.0%	6.3%
50 – 54	4.4%	2.2%	7.3%
55 or over	4.6%	2.4%	7.8%

Normal Retirement

a) Eligibility:

First day of the month coincident with or next following attainment of age 65.

b) Annual Pension:

Accrued pension.

c) **Maximum Pension:**

Maximum permitted under Income Tax Act regulations for registration of pension plans.

d) **Minimum Pension:**

For service before July 1, 1996:

\$40.00 per month for each year of continuous service, less any pension payable to the member from any other company-sponsored plan.

For service on and after July 1, 1996:

The pension provided under the benefit formula under the core option and option 1 will not be less than 2.0% of average Plan Earnings, where the average Plan Earnings is based on 5 years and 3 years respectively.

Early Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 55.

b) **Annual Pension:**

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

a) **Eligibility:**

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

b) **Annual Pension:**

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

a) **Normal Form:**

For service prior to July 1, 1996:

If a member has a spouse, actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

For service on or after July 1, 1996:

The normal form of pension depends on which option the member has chosen for each year as follows:

	<i>Core</i>	<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>
Without a spouse	5-year guarantee	10-year guarantee	5-year guarantee	10-year guarantee
With a spouse	5-year guarantee	Joint & 60% survivor	5-year guarantee	Joint & 60% survivor

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under one of the enhanced optional coverages will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

a) Before two years of service:

Refund of member's contributions with interest.

b) After two years of service:

Normal retirement benefit accrued to termination date, payable at age 65. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit

a) Before 2 years of service:

Refund of member's contributions with interest payable to spouse or beneficiary.

b) After 2 years of service and before age 55:

Lump sum payment equal to 60% of the commuted value of member's accrued pension payable to spouse or beneficiary.

c) After 2 years of service and after age 55:

If the member does not have a spouse, lump sum payment equal to 60% of the commuted value of member's accrued pension payable to beneficiary.

If the member has a spouse, a pension payable to the member's spouse equal to the greater of:

- an immediate pension payable until death equal to 60% of the member's early retirement benefit, as if the member had retired on the first day of the month in which the member died and selected the 60% contingent annuitant option; and
- the pension which can be provided by 60% of the commuted value of member's accrued pension that would have been payable had the member retired immediately prior to his or her death.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the enhanced options.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under Option 1 or 3 shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Contribution Provision

Plan Effective Date

January 1, 1994.

Definitions

a) Account:

The individual account established for each DC Member, comprised of the Initial Account Value plus contributions plus investment earned thereon.

b) DC Member:

A member who is entitled to a benefit under the defined contribution provision.

c) Pensionable Earnings:

Base salary including 100% of short term incentive compensation.

d) Initial Account Value:

For any DC Member who was a member of the NorskeCanada Plan on December 31, 1993, the lump sum value, as of December 31, 1993, of the DC Member's defined benefit.

For any DC Member who was a member of the former Pacifica Plan on January 1, 2002, the lump sum value, as of January 1, 2002, of the DC Member's defined benefit.

Eligibility for Membership

Each employee who was a member of the NorskeCanada Plan on December 31, 1993 made an irrevocable election as of December 31, 1993 to be either a defined benefit member ("DB Member") or a DC Member.

Each employee who was a member of the Pacifica Plan on January 1, 2002 made an irrevocable election as of January 1, 2002 to be either a DB Member or a DC Member.

All other employees automatically become DC Members when they join the plan.

Entitlement of DC Members

Upon retirement, death, or termination a DC Member is entitled to the market value of his or her Account.

Contributions

Each month the Company deposits 7% of Pensionable Earnings to the Account of each DC Member.

Investment of Accounts

A DC Member's Account is invested in accordance with the member's election of the investment options offered by the Company.

Certificate of the Employer

I hereby certify that to the best of my knowledge and belief:

- the outstanding contributions of \$3,437,390 under the defined benefit provision as at December 31, 2006 have been contributed to the plan;
- the information on plan assets forwarded to Towers Perrin Inc. and summarized in Appendix A of this report is complete and accurate;
- the directions from the plan administrator contained in Appendix B of this report are accurate and reflect the plan administrator's judgement of the plan provisions and/or an appropriate basis for the actuarial valuation of the plan;
- the data forwarded to Towers Perrin Inc. and summarized in Appendix C of this report are a complete and accurate description of all persons who are members of the plan, including beneficiaries who are in receipt of a retirement income, in respect of service up to the date of the actuarial valuation;
- the summary of plan provisions contained in Appendix D of this report is accurate and includes all provisions which have a material effect on the determination of plan contributions and liabilities; and
- there have been no subsequent events that would materially change the plan's financial position after the valuation date.

Signature

Date

Name

Title

This is Exhibit G "referred to in the
affidavit of William J. Sharkey
sworn before me at Vancouver
this _____ day of June 20 12



A Commissioner for taking Affidavits
within British Columbia

CATALYST PAPER CORPORATION

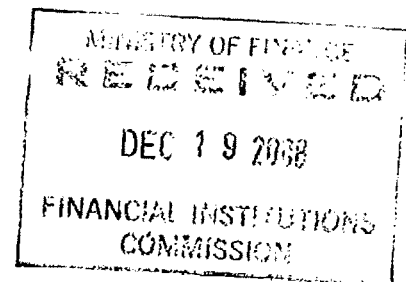
RETIREMENT PLAN FOR SALARIED EMPLOYEES

Actuarial Valuation as at December 31, 2007

Registration Numbers:

British Columbia Financial Institutions Commission: P085400
Canada Revenue Agency: 0212076

December 2008



This document is being filed with the Pension Department of the British Columbia Financial Institutions Commission and the Canada Revenue Agency as required by statute. It contains financial information regarding the plan and the employer sponsoring the plan that has been supplied in confidence. If such information were made available to the general public, it could have an adverse effect on the employer's competitive position within the meaning of subsection 21(1) of the *Freedom of Information and Protection of Privacy Act* of British Columbia, and section 22(1) of the British Columbia *Pension Benefits Standards Act*.

**TOWERS
PERRIN**

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Introduction

This report with respect to the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "plan") has been prepared for Catalyst Paper Corporation, the plan administrator, and presents the results of the actuarial valuation of the plan as at December 31, 2007.

The principal purposes of the report are:

- to present information on the financial position of the plan on a going concern basis;
- to compare actual and expected experience under the plan on a going concern basis;
- to present information on the financial position of the plan on a hypothetical windup basis;
- to present information on the financial position of the plan on a solvency basis;
- to provide the basis for employer contributions; and
- to provide the information and the actuarial opinion required by the Pension Benefits Standards Act (British Columbia) and Regulation thereto and by the Income Tax Act (Canada) and Regulations thereto.

The previous actuarial valuation of the plan was prepared as at December 31, 2006. Since the previous actuarial valuation, the solvency actuarial assumptions have been updated to reflect market conditions at the valuation date. There have been no changes to either the going concern actuarial basis or the plan provisions since the previous actuarial valuation.

This report summarizes the results of the actuarial valuation and contains an actuarial opinion as an integral part of the report. The supporting detailed information on assets, actuarial basis, membership data and plan provisions is contained in the Appendices.

We are not aware of any events which have occurred subsequent to the valuation date that would materially change the plan's financial position as at the valuation date.

Between the valuation date and the date of completion of this report, there has been a significant decline in capital markets. The financial effects of this decline in the capital markets and the effect of other plan experience since the valuation date are not reflected in this valuation, but will be revealed in the next actuarial valuation of the plan.

The information contained in this report was prepared for Catalyst Paper Corporation, for its internal use and for filing with the British Columbia Financial Institutions Commission and the Canada Revenue Agency, in connection with Towers Perrin's actuarial valuation of the plan. This report is not intended nor necessarily suitable for other parties or for other purposes. Further distribution of all or part of this report to other parties (except where such distribution is required by applicable legislation) or other use of this report is expressly prohibited without Towers Perrin's prior written consent.



Going Concern Financial Position

Statement of Financial Position

	December 31, 2007	December 31, 2006
Actuarial Value of Assets		
Defined benefit provision	\$ 254,887,871	\$ 251,770,255
Defined contribution provision	79,130,778	81,143,742
Total actuarial value of assets	\$ 334,018,649	\$ 332,913,997
Actuarial Liability		
Defined Benefit Provision		
Active and disabled members	\$ 60,948,602	\$ 60,743,837
Retired members and beneficiaries	201,619,615	203,347,945
Terminated vested members ¹	4,924,868	4,228,237
Total	\$ 267,493,085	\$ 268,320,019
Defined Contribution Provision	\$ 79,130,778	\$ 81,143,742
Total Actuarial Liability	\$ 346,623,863	\$ 349,463,761
Actuarial Surplus (Unfunded Actuarial Liability)	\$ (12,605,214)	\$ (16,549,764)

Note:

¹ Includes liabilities in respect of members transferred to Industry Plans.

Comment:

- The financial position of the plan on a going concern basis is determined by comparing the actuarial value of assets to the actuarial liability and is a reflection of the assets available for the benefits accrued in respect of credited service prior to the valuation date assuming the plan continues indefinitely.

Reconciliation of Financial Position

Actuarial surplus (unfunded actuarial liability) as at December 31, 2006			\$	(16,549,764)
Net special payments:				
■ Going concern amortization payments	\$	1,955,889		
■ Solvency amortization payments		10,851,680		
■ Transfer deficiency payments		<u>14,656</u>		12,822,225
Expected interest on:				
■ Actuarial surplus (unfunded actuarial liability)	\$	(1,034,360)		
■ Going concern amortization payments		45,147		
■ Solvency amortization payments		<u>250,487</u>		(738,726)
Plan experience:				
■ Investment gains (losses)	\$	(7,702,053)		
■ Salary gains (losses)		(424,788)		
■ Retirement gains (losses)		(618,551)		
■ Withdrawal gains (losses)		183,360		
■ Mortality gains (losses)		584,749		
■ Other liability gains (losses)		<u>(161,666)</u>		(8,138,949)
Actuarial surplus (unfunded actuarial liability) as at December 31, 2007			\$	(12,605,214)

Solvency and Hypothetical Windup Financial Position

Statement of Financial Position

	December 31, 2007	December 31, 2006
Solvency Value of Assets		
Defined Benefit Provision		
Market value of assets	\$ 259,155,324	\$ 264,855,413
Reserve for plan windup expenses	(500,000)	(500,000)
Total solvency value of assets	\$ 258,655,324	\$ 264,355,413
Defined Contribution Provision		
Market value of assets	79,130,778	81,143,742
Total Solvency Value of Assets	\$ 337,786,102	\$ 345,499,155
Solvency Liability		
Defined Benefit Provision		
Active and disabled members	\$ 64,302,258	\$ 63,269,635
Retired members and beneficiaries	232,611,480	234,921,367
Terminated vested members ¹	6,393,014	5,490,688
Total	\$ 303,306,752	\$ 303,681,690
Defined Contribution Provision	79,130,778	81,143,742
Total Solvency Liability	\$ 382,437,530	\$ 384,825,432
Solvency Surplus (Unfunded Solvency Liability)	\$ (44,651,428)	\$ (39,326,277)
Solvency Ratio – Defined Benefit Provision ²	0.85	0.87

Notes:

¹ Includes liabilities in respect of members transferred to Industry Plans.

² As the solvency ratio for the defined benefit provision is less than 1.00, transfer deficiencies must be paid over five years unless the transfer deficiencies are within the limits prescribed by the Regulations to the Pension Benefits Standards Act (British Columbia) or the employer remits additional contributions in respect of the transfer deficiencies.

Comments:

- The financial position of the plan on a solvency basis is determined by comparing the solvency value of assets to the solvency liability (the actuarial present value of benefits accrued in respect of credited service prior to the valuation date, calculated as if the plan were wound up on that date).
- If the plan were to be wound up on the valuation date, the windup liability would be equal to the solvency liability. Consequently, the windup surplus (unfunded windup liability) as at the valuation date is \$(44,651,428).

Determination of the Statutory Solvency Deficiency

The minimum funding requirements under the Regulation to the Pension Benefits Standards Act (British Columbia) are based on the statutory solvency deficiency as at the valuation date. In calculating the statutory solvency deficiency, various adjustments can be made to the solvency financial position including:

- recognition of the present value of existing amortization payments, including any going concern amortization payments established at the valuation date, due to be paid within the periods prescribed by the Regulation; and
- smoothing of the asset value by use of an averaging technique.

To the extent that there exists a statutory solvency deficiency, after taking account of these adjustments, additional amortization payments must be made. If there is no statutory solvency deficiency, the statutory solvency excess may be used to reduce the period of any existing solvency amortization payments.

Statutory Solvency Deficiency

	<i>December 31, 2007</i>	<i>December 31, 2006</i>
Solvency surplus (unfunded solvency liability)	\$ (44,651,428)	\$ (39,326,277)
Adjustments to solvency position:		
■ Present value of existing amortization payments ¹	\$ 28,001,795	\$ 22,000,414
■ Smoothing of asset value ²	N/A	N/A
■ Total	\$ 28,001,795	\$ 22,000,414
Statutory solvency excess (statutory solvency deficiency)	\$ (16,649,633)	\$ (17,325,863)

Notes:

¹ Reflects any changes made in this valuation to going concern amortization schedules. See next page for details at December 31, 2007.

² The solvency financial position was not adjusted to reflect the smoothing of the asset value by use of an averaging technique.

Details of Present Value of Existing Amortization Payments

Type of payment	Effective date	Month of last payment recognized in calculation	Annual amortization payment	Present value as at December 31, 2007 (at 4.50% per annum)
Going concern	Jan. 1, 2004	Dec. 2012	\$ 1,582,137	\$ 7,061,677
Solvency	Jan. 1, 2004	Dec. 2008	6,969,898	6,781,279
Solvency	Jan. 1, 2007	Dec. 2011	3,881,782	14,158,839
Total			\$ 12,433,817	\$ 28,001,795

Amortization of Statutory Solvency Deficiency

In accordance with the Regulation of the Pension Benefits Standards Act (British Columbia), the statutory solvency deficiency of \$16,649,633 may be amortized by annual payments of \$3,730,276 payable quarterly in arrears over the five-year period ending December 31, 2012. The revised schedule of amortization payments, as at December 31, 2007 is as follows:

Type of payment	Effective date	Month of last payment	Month of last payment recognized in solvency present value	Annual amortization payment	Present value on solvency basis (at 4.50% p.a.)
Going concern	Jan. 1, 2004	Dec. 2018	Dec. 2012	\$ 1,582,137	\$ 7,061,677
Solvency	Jan. 1, 2004	Dec. 2008	Dec. 2008	6,969,898	6,781,279
Solvency	Jan. 1, 2007	Dec. 2011	Dec. 2011	3,881,782	14,158,839
Solvency	Jan. 1, 2008	Dec. 2012	Dec. 2012	3,730,276	16,649,633
Total				\$ 16,164,093	\$ 44,651,428

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Contributions

Normal Actuarial Cost and Amortization Payments (Ensuing Year)

	December 31, 2007	December 31, 2006
Employer Normal Actuarial Cost		
<i>Defined Benefit Provision</i>		
Estimated annual contribution	\$ 2,509,220	\$ 2,622,135
Estimated annual payroll	\$ 18,448,295	\$ 19,357,165
% of payroll	13.60%	13.55%
<i>Defined Contribution Provision</i>		
% of pensionable earnings	7.00%	7.00%
Annual Amortization Payments		
Going concern	\$ 1,582,137	\$ 1,955,889
Solvency	14,581,956	10,851,680
Total	\$ 16,164,093	\$ 12,807,569
Estimated Member Contributions		
Defined benefit provision	\$ 420,780	\$ 407,514

Comment:

- The employer defined benefit normal actuarial cost rate changed since the previous valuation due to the change in the membership profile.

Timing of Contributions

To satisfy the requirements of British Columbia pension legislation, the employer defined benefit normal actuarial cost and amortization payments must be paid quarterly and within 30 days of the quarter to which they pertain, while the employer defined contribution normal actuarial cost must be paid monthly and within 30 days of the month to which they pertain. Members' contributions must be remitted to the fund monthly and within 30 days of the month to which they pertain.

To satisfy the requirements of the Income Tax Act (Canada), employer contributions that are remitted to the plan in the taxation year or within 120 days after the end of such taxation year are deductible in such taxation year provided they were made to fund benefits in respect of periods preceding the end of the taxation year.

Other Statutory Contributions

Additional contributions may be required in respect of the transfer values for terminating members. Where applicable, such additional contributions must be remitted before the related transfer value may be paid in full to the terminated member. Details are provided on page 4.

Future Contribution Levels

Future contribution levels may change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which has been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future actuarial valuations.



Actuarial Opinion

In our opinion, for the purposes of the going concern valuation, the solvency valuation and the hypothetical windup valuation, the data on which the valuations are based are sufficient and reliable, the assumptions are, in aggregate, appropriate and the methods employed in the valuations are appropriate. This report has been prepared, and our opinion has been given, in accordance with accepted actuarial practice. The valuations have been conducted in accordance with our understanding of the funding and solvency standards prescribed by the Pension Benefits Standards Act (British Columbia) and Regulation thereto, and in conformity with our understanding of the requirements of the Income Tax Act (Canada) and Regulations thereto. This actuarial opinion forms an integral part of the report.

Based on the results of these valuations, we hereby certify that, in our opinion, as at December 31, 2007:

- The actuarial surplus (unfunded actuarial liability), determined by comparing the actuarial liability, the measure of obligations of the plan on a going concern basis, to the actuarial value of assets, is \$(12,605,214).
- The unfunded actuarial liability is \$12,605,214 and must be liquidated by employer amortization payments at least equal to the amounts, payable quarterly in arrears, and for the periods set forth below in order to comply with the Regulation to the Pension Benefits Standards Act (British Columbia).

<i>Effective date</i>	<i>Month of last payment</i>	<i>Annual amortization payment</i>	<i>Present value as at December 31, 2007 (at 6.25% per annum)</i>
Jan. 1, 2004	Dec. 2018	\$ 1,582,137	\$ 12,605,214

- The solvency surplus (unfunded solvency liability), determined by comparing the solvency liability, the measure of the obligations of the plan on a solvency basis, to the solvency value of assets, is \$(44,651,428).
- The statutory solvency excess (deficiency) revealed at this valuation is \$(16,649,633). This statutory solvency deficiency together with the remaining statutory solvency deficiencies from the previous actuarial valuations must be liquidated by employer amortization payments at least equal to the amounts, payable quarterly in arrears, and for the periods set forth on the following page in order to comply with the Regulation to the Pension Benefits Standards Act (British Columbia).

<i>Effective date</i>	<i>Month of last payment</i>	<i>Annual amortization payment</i>	<i>Present value on solvency basis (at 4.50% per annum)</i>
Jan. 1, 2004	Dec. 2008	\$ 6,969,898	\$ 6,781,279
Jan. 1, 2007	Dec. 2011	3,881,782	14,158,839
Jan. 1, 2008	Dec. 2012	3,730,276	16,649,633
		<u>\$ 14,581,956</u>	<u>\$ 37,589,751</u>

- The windup surplus (unfunded windup liability) determined by comparing the windup liability, the measure of the obligations of the plan on a windup basis, to the windup value of assets is (\$44,651,428). If the plan had been wound up on the valuation date, the market value of plan assets would have been less than the actuarial liabilities of the plan.
- The excess actuarial surplus, pursuant to Section 147.2(2) of the Income Tax Act (Canada), is \$0.
- The rule for computing the employer defined benefit normal actuarial cost is 13.60% of payroll for each year following the valuation date. Based on the plan membership used for this valuation, assuming payroll increases of 3.0% for each year following the valuation date and reflecting the impact of the demographic assumptions on the closed active membership, the defined benefit normal actuarial cost for the next three years is estimated to be:

<i>Year</i>	<i>Estimated member contributions</i>	<i>Estimated employer normal actuarial cost</i>	<i>Estimated payroll (including incentive compensation)</i>
2008	\$ 420,780	\$ 2,509,220	\$ 18,448,295
2009	\$ 392,966	\$ 2,294,180	\$ 16,867,277
2010	\$ 358,739	\$ 2,067,515	\$ 15,200,790


- The rule for computing the employer defined contribution normal actuarial cost is 7.00% of pensionable earnings.
- The employer is required to make normal actuarial cost contributions to the plan in accordance with the above rules until the effective date of the next actuarial opinion.
- The Income Tax Act (Canada) permits the employer to make contributions up to the sum of the normal actuarial cost and the unfunded windup liability of \$44,651,428, less the amortization payments made in respect of periods since December 31, 2007, provided that at the time the contribution is made all assumptions made in this valuation remain reasonable and the unfunded windup liability persists.
- The solvency ratio, as defined in the Regulation to the Pension Benefits Standards Act (British Columbia), is 0.85.

- In accordance with the Regulation to the Pension Benefits Standards Act (British Columbia), the next actuarial valuation should be performed with an effective date not later than December 31, 2010. The basis for employer contributions presented in this report is effective until the next actuarial opinion is filed.

The results presented in this report have been developed using a particular set of actuarial assumptions. Other results could have been developed by selecting different actuarial assumptions. The results presented in this report are reasonable actuarial results based on actuarial assumptions reflecting our expectation of future events.

Towers Perrin Inc.


Bernard Mercier, FCIA


Date


Jaime Omichinski, FCIA


Date



Assets

Statement of Market Value

	December 31, 2007	December 31, 2006
Defined Benefit Provision		
Invested assets:		
■ Cash and short term investments	\$ 367,619	\$ 289,350
■ Fixed income	105,671,541	98,392,234
■ Canadian equities	51,231,113	52,772,568
■ Foreign equities	96,436,135	109,115,339
■ Investment income receivable	1,733,132	1,133,676
■ Total invested assets:	<u>\$ 255,439,540</u>	<u>\$ 261,703,167</u>
Net outstanding amounts:		
■ Group annuities	\$ 22,159	\$ 20,341
■ Contributions receivable	3,706,605	3,437,390
■ Expenses and other payables	(12,980)	(305,485)
■ Total net outstanding amounts	<u>\$ 3,715,784</u>	<u>\$ 3,152,246</u>
Total	\$ 259,155,324	\$ 264,855,413
Defined Contribution Provision		
Invested assets	<u>\$ 79,130,778</u>	<u>\$ 81,143,742</u>
Total Market Value of Assets	<u>\$ 338,286,102</u>	<u>\$ 345,999,155</u>

Comments:

- The assets of the plan are invested, along with those of other Company retirement plans, in the Catalyst Paper Corporation Master Trust. The invested asset allocation shown above reflects the plan's pro rata share of each asset class of the Catalyst Paper Corporation Master Trust.
- The invested assets are held by CIBC Mellon under account number F441500.
- The data relating to the invested assets are based on the audited financial statements issued by KPMG LLP and the financial statements by CIBC Mellon. All of this information has been relied upon by Towers Perrin following tests of reasonableness with respect to contributions, benefit payments and investment income. Towers Perrin does not accept responsibility for the information provided by either KPMG LLP or by CIBC Mellon.

- The outstanding contributions receivable of \$3,706,605 is comprised of \$490,055 of employer defined benefit normal actuarial cost, \$488,972 of going concern amortization payments, \$2,712,922 of solvency amortization payments and \$14,656 of transfer deficiency payments.
- The value of the group annuities, which were purchased under predecessor plans in respect of current members, has been determined using the actuarial assumptions outlined in Appendix B.

**Reconciliation of Invested Assets (Market Value) —
Defined Benefit Provision**

Assets as at December 31, 2006		\$	261,703,167
Receipts:			
■ Contributions:			
— Employer normal actuarial cost	\$	2,698,541	
— Employer amortization payments		12,343,953	
— Members' required contributions		409,884	\$ 15,452,378
■ Investment return, net of investment expenses			(633,405)
■ Total receipts			\$ 14,818,973
Disbursements:			
■ Benefit payments:			
— Pension payments			\$ 20,267,375
— Lump sum payments			112,741
■ Non-investment expenses			702,484
■ Total disbursements			\$ 21,082,600
Assets as at December 31, 2007		\$	255,439,540

Comments:

- This reconciliation is based on the audited financial statements issued by KPMG LLP and the financial statements issued by CIBC Mellon.
- The rate of return earned on the market value of assets, net of all expenses, from December 31, 2006 to December 31, 2007 is approximately (0.5)% per annum.

Development of the Actuarial Value of Assets — Defined Benefit Provision

	Adjusted Market Value Beginning from:				
	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
Adjusted market value as at December 31, 2003					
Net non-investment cash flow for 2004 ²	\$ 215,962,639 ¹				
Assumed investment return (4.70%) ³	(7,773,595)				
	9,967,565				
Adjusted market value as at December 31, 2004					
Net non-investment cash flow for 2005 ²	\$ 218,156,609	\$ 226,367,056 ¹			
Assumed investment return (5.20%) ³	(4,909,685)	(4,909,685)			
	11,216,492	11,643,435			
Adjusted market value as at December 31, 2005					
Net non-investment cash flow for 2006 ²	\$ 224,463,416	\$ 233,100,806	\$ 249,155,799 ¹		
Assumed investment return (6.50%) ³	(5,595,543)	(5,595,543)	(5,595,543)		
	14,408,267	14,969,697	16,013,272		
Adjusted market value as at December 31, 2006					
Net non-investment cash flow for 2007 ²	\$ 233,276,140	\$ 242,474,960	\$ 259,573,528	\$ 275,820,155 ¹	
Assumed investment return (6.70%) ³	(5,879,368)	(5,879,368)	(5,879,368)	(5,879,368)	
	15,432,543	16,048,863	17,194,468	18,282,992	
Adjusted market value as at December 31, 2007	\$ 242,829,315	\$ 252,644,455	\$ 270,888,628	\$ 288,223,779	\$ 269,269,675 ¹
Actuarial Value of Assets					
Average of the five adjusted market values as at December 31, 2007					
Corridor maximum value — 105% of market value		\$ 264,771,171			
Corridor minimum value — 95% of market value		282,733,158			
Actuarial value of assets as at December 31, 2007		255,806,191			
Ratio of actuarial value of assets over market value of assets (\$264,771,171 / \$269,269,675)		\$ 264,771,171			
		0.98329			

Notes:

- ¹ Market value of invested assets held in trust at the indicated date.
- ² Contributions less benefit payments and non-investment expenses.
- ³ Non-investment cash flow assumed to occur uniformly throughout the year.



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Development of Actuarial Value of Assets as of December 31, 2007 (cont'd)

Actuarial Value of Assets

Market value of Plan assets	\$ 255,439,540
Ratio of Master Trust actuarial value of assets over market value of assets	x 0.98329
Actuarial value of invested plan assets	<u>\$ 251,172,087</u>
Net outstanding amounts:	
■ Group annuities	\$ 22,159
■ Contributions receivable	3,706,605
■ Expenses payable	<u>(12,980)</u>
Total	<u>\$ 254,887,871</u>

Actuarial Basis

Defined Benefit Provision — Going Concern

Asset Valuation Method

The actuarial value of assets was calculated as the average of the market value of invested assets at the valuation date and the four previous adjusted market values. The adjusted market values at the current valuation date were developed from the fund's market value at the four preceding year-ends. To obtain these adjusted market values, the market values at December 31 of each of the four preceding years were accumulated to the valuation date with net contributions and assumed investment return. Net contributions were calculated as contributions less benefit payments and non-investment expenses and were assumed to occur uniformly throughout each year. Assumed investment return was calculated assuming that each year the assets earned interest at the average 3-month Canada Treasury Bill rate during the year plus 2.5%.

To ensure that the asset valuation method develops an asset value that appropriately tracks market values over time, the emerging actuarial value of assets is adjusted, if necessary, so that it falls within 5% of the market value of assets ("5% corridor").

The actuarial value of invested assets is first calculated in aggregate for all the pension plans which participate in the Catalyst Paper Corporation Master Trust. A ratio equal to the actuarial value of the assets over the market value of the assets for all of the pension plans which participate in the Catalyst Paper Corporation Master Trust is then calculated. The actuarial value of assets for the plan is calculated as the market value of the invested assets of the plan multiplied by the above ratio. The actuarial value of assets for the plan is then adjusted for any outstanding amounts.

The asset valuation method systematically recognizes investment returns different from expectations over a four-year period at the rate of 20% per year. This method will be expected to average periods of outperformance with periods of underperformance. It is expected that this averaging process should produce a smoother pattern of going-concern surplus (deficit) and hence a smoother pattern of contribution requirements.

The expected return of T-Bills + 2.5% has been selected to equal the expected return on the assets, net of investment expenses, over long periods of time, with a margin for adverse deviations. As such, it is anticipated that, on average, the asset valuation method will tend to produce a result that is somewhat less than the market value of assets.

Actuarial Cost Method

The actuarial liability and the normal actuarial cost were calculated using the projected unit credit cost method.

Prospective benefits were calculated for each active and disabled member according to the plan provisions and actuarial assumptions. The actuarial liability was calculated as the actuarial present value of the member's prospective benefits multiplied by the ratio of the member's credited service prior to the valuation date to the member's total potential credited service (the service prorate method). The calculation of the actuarial present value of the member's prospective benefits reflects additional entitlements which may arise

due to the application of the 50% employer cost-sharing rule, and is at least equal to the member's contributions with interest.

The actuarial liability for retired members and beneficiaries and terminated vested members was calculated as the actuarial present value of their respective benefits.

The normal actuarial cost for each active and disabled member was calculated as the actuarial present value of the member's prospective benefits divided by the member's total potential credited service, but not less than the member's required contributions. The employer normal actuarial cost for each active and disabled member was determined as the excess of the total normal actuarial cost over the member's required contributions. The normal actuarial cost rate determined by the projected unit credit cost method will be stable over time if the demographic characteristics of the active and disabled plan membership remain stable from valuation to valuation. All other things being equal, an active and disabled membership whose average age increases (decreases) between actuarial valuations will result in an increasing (decreasing) normal actuarial cost rate.

This valuation assumes that the defined benefit employer normal actuarial cost rate remains constant as a percentage of payroll (including incentive compensation) over the three year period following the valuation date. To reflect the closed membership of the defined benefit provision, the payroll (including incentive compensation) for the active membership has been projected using the rate of salary increase and the demographic assumptions, as provided in Appendix B of this report.

Benefit Security

The purpose of the going concern actuarial cost method is to assign a value to the benefits accrued to the valuation date under the plan and to measure the value of benefits accruing in ensuing years. A comparison of the actuarial value of assets with the actuarial liability measured under the projected unit credit cost method gives an indication of the security of the benefits earned to date based on the going concern actuarial assumptions used in the actuarial valuation.

Defined Benefit Provision — Solvency and Hypothetical Windup

Asset Valuation Method

The market value of assets has been used for the solvency valuation and the hypothetical windup valuation, adjusted for net outstanding amounts. The resulting value has been reduced by a provision for plan windup expenses.

Actuarial Cost Method

The solvency liability and the hypothetical windup liability was calculated using the unit credit cost method.

The solvency liability and the hypothetical windup liability for active and disabled members was calculated as the actuarial present value of all benefits accrued up to the valuation date (treating all members as if vested). This calculation reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the member's contributions with interest.

The solvency liability and the hypothetical windup liability for retired members and beneficiaries and terminated vested members was calculated as the actuarial present value of their respective benefits.

Benefit Security

The purpose of the solvency and hypothetical windup actuarial cost method is to assign a value to the benefits accrued to the valuation date under the plan assuming the plan were to terminate as at the valuation date. A comparison of plan assets with the liabilities measured under the unit credit cost method gives an indication of the security of the benefits earned to date based on the actuarial assumptions used in these actuarial valuations.

Other Considerations

The solvency assumptions do not include a margin for adverse deviations, as required by the Canadian Institute of Actuaries' *Practice-Specific Standards for Pension Plans*.

The solvency actuarial valuation has been prepared on a hypothetical basis. In the event of an actual plan windup, the plan assets may have to be allocated between various classes of plan members or beneficiaries as required by applicable pension legislation. Such potential allocation has not been performed as part of this solvency valuation.

Defined Contribution Provision

For the purposes of the going concern, solvency and hypothetical windup valuations, the determination of the actuarial liability and normal actuarial cost for the defined contribution provision does not involve the use of an actuarial cost method, nor does it involve actuarial assumptions. By definition, the actuarial liability under the defined contribution provision corresponds with the market value of the members' defined contribution accounts at the valuation date.

The employer normal actuarial cost for each active and disabled member was determined based on the contribution rate specified in the plan provisions.

Assumptions — Defined Benefit Provision

	Going Concern	Solvency and Hypothetical Windup
Economic Assumptions (per annum)		
Liability discount rate	6.25%	Settlement by: <ul style="list-style-type: none"> ■ Commuted value: 4.75% for 10 years, 5.0% thereafter¹ ■ Deferred annuity purchase: 4.0%² ■ Immediate annuity purchase: 4.5%
Discount rate for determining amortization payments	6.25%	4.50%
Rate of salary increase	3.0% (nil for disabled members)	N/A; actual earnings history used
Escalation of YMPE under Canada/Québec Pension Plan	2.5%	N/A
Escalation of Income Tax Act (Canada) maximum pension limitation	\$2,333.33 in 2008, \$2,444.44 in 2009 and then indexed at 2.5% starting in 2010	N/A
Inflation	2.0%	N/A
Interest on members' contributions	3.25%	N/A
Demographic Assumptions		
Mortality	1994 Uninsured Pensioner Mortality Table, projected to 2015 using Scale AA (Tables 1 and 2)	Same
Withdrawal	Service-related rates (Table 3)	N/A
Disability incidence/recovery	Nil	N/A
Retirement/pension commencement	Active and disabled members: Age-related rates (Table 4) Terminated vested members: Earliest unreduced retirement date	<ul style="list-style-type: none"> ■ Active and disabled members eligible for retirement: Immediate pension commencement ■ Former BCFP members with 20 years of service: Age 60 ■ Otherwise: Age 65
Other		
Percentage of members with eligible spouses at pension commencement	90%	Same
Years male spouse older than female spouse	3	Same
Incentive compensation	Actual target bonus used	N/A; Actual bonus history used

Going Concern		Solvency and Hypothetical Windup
Settlement election on plan windup	N/A	<ul style="list-style-type: none">■ Active and disabled members less than age 55: commuted value■ Active and disabled members age 55 or older and terminated vested members: deferred annuity■ All other members: immediate annuity
Provision for expenses	None; return on plan assets is net of all expenses	\$500,000 Details on page B-11

Notes:

¹ 4.75% per year for 10 years and 4.75% per year thereafter at previous valuation.

² 4.5% per year at previous valuation.

Table 1 — 1994 Uninsured Pensioner Mortality Table ¹

<i>Age</i>	<i>Male</i>	<i>Female</i>	<i>Age</i>	<i>Male</i>	<i>Female</i>
20	0.000545	0.000305	65	0.015629	0.009286
21	0.000570	0.000308	66	0.017462	0.010423
22	0.000598	0.000311	67	0.019391	0.011574
23	0.000633	0.000313	68	0.021354	0.012648
24	0.000671	0.000313	69	0.023364	0.013665
25	0.000711	0.000313	70	0.025516	0.014763
26	0.000749	0.000316	71	0.027905	0.016079
27	0.000782	0.000324	72	0.030625	0.017748
28	0.000811	0.000338	73	0.033549	0.019724
29	0.000838	0.000356	74	0.036614	0.021915
30	0.000862	0.000377	75	0.040012	0.024393
31	0.000883	0.000401	76	0.043933	0.027231
32	0.000902	0.000427	77	0.048570	0.030501
33	0.000912	0.000454	78	0.053991	0.034115
34	0.000913	0.000482	79	0.060066	0.038024
35	0.000915	0.000514	80	0.066696	0.042361
36	0.000927	0.000550	81	0.073780	0.047260
37	0.000958	0.000593	82	0.081217	0.052853
38	0.001010	0.000643	83	0.088721	0.058986
39	0.001075	0.000701	84	0.096358	0.065569
40	0.001153	0.000763	85	0.104559	0.072836
41	0.001243	0.000826	86	0.113755	0.081018
42	0.001346	0.000888	87	0.124377	0.090348
43	0.001454	0.000943	88	0.136537	0.100882
44	0.001568	0.000992	89	0.149949	0.112467
45	0.001697	0.001046	90	0.164442	0.125016
46	0.001852	0.001111	91	0.179849	0.138442
47	0.002042	0.001196	92	0.196001	0.152660
48	0.002260	0.001297	93	0.213325	0.167668
49	0.002501	0.001408	94	0.231938	0.183524
50	0.002773	0.001536	95	0.251189	0.200229
51	0.003088	0.001686	96	0.270441	0.217783
52	0.003455	0.001864	97	0.289048	0.236188
53	0.003854	0.002051	98	0.306750	0.255605
54	0.004278	0.002241	99	0.323976	0.276035
55	0.004758	0.002466	100	0.341116	0.297233
56	0.005322	0.002755	101	0.358560	0.318956
57	0.006001	0.003139	102	0.376699	0.340960
58	0.006774	0.003612	103	0.396884	0.364586
59	0.007623	0.004154	104	0.418855	0.389996
60	0.008576	0.004773	105	0.440585	0.415180
61	0.009663	0.005476	106	0.460043	0.438126
62	0.010911	0.006271	107	0.475200	0.456824
63	0.012335	0.007179	108	0.485670	0.471493
64	0.013914	0.008194	109	0.492807	0.483473

Note:

¹ The mortality rates for years after 1994 are computed using the mortality improvement rates in Table 2.

Table 2 — Scale AA Mortality Improvement Table ¹

<i>Age</i>	<i>Male</i>	<i>Female</i>	<i>Age</i>	<i>Male</i>	<i>Female</i>
20	0.019	0.016	65	0.014	0.005
21	0.018	0.017	66	0.013	0.005
22	0.017	0.017	67	0.013	0.005
23	0.015	0.016	68	0.014	0.005
24	0.013	0.015	69	0.014	0.005
25	0.010	0.014	70	0.015	0.005
26	0.008	0.012	71	0.015	0.006
27	0.005	0.012	72	0.015	0.006
28	0.005	0.012	73	0.015	0.007
29	0.005	0.012	74	0.015	0.007
30	0.005	0.010	75	0.014	0.008
31	0.005	0.008	76	0.014	0.008
32	0.005	0.008	77	0.013	0.007
33	0.005	0.009	78	0.012	0.007
34	0.005	0.010	79	0.011	0.007
35	0.005	0.011	80	0.010	0.007
36	0.005	0.012	81	0.009	0.007
37	0.005	0.013	82	0.008	0.007
38	0.006	0.014	83	0.008	0.007
39	0.007	0.015	84	0.007	0.007
40	0.008	0.015	85	0.007	0.006
41	0.009	0.015	86	0.007	0.005
42	0.010	0.015	87	0.006	0.004
43	0.011	0.015	88	0.005	0.004
44	0.012	0.015	89	0.005	0.003
45	0.013	0.016	90	0.004	0.003
46	0.014	0.017	91	0.004	0.003
47	0.015	0.018	92	0.003	0.003
48	0.016	0.018	93	0.003	0.002
49	0.017	0.018	94	0.003	0.002
50	0.018	0.017	95	0.002	0.002
51	0.019	0.016	96	0.002	0.002
52	0.020	0.014	97	0.002	0.001
53	0.020	0.012	98	0.001	0.001
54	0.020	0.010	99	0.001	0.001
55	0.019	0.008	100	0.001	0.001
56	0.018	0.006	101	0.000	0.000
57	0.017	0.005	102	0.000	0.000
58	0.016	0.005	103	0.000	0.000
59	0.016	0.005	104	0.000	0.000
60	0.016	0.005	105	0.000	0.000
61	0.015	0.005	106	0.000	0.000
62	0.015	0.005	107	0.000	0.000
63	0.014	0.005	108	0.000	0.000
64	0.014	0.005	109	0.000	0.000

Note:

¹ Using the q_x^{1994} rates defined in Table 1 and the AA_x rates defined above, the resulting mortality rate for age x in calendar year y is:
 $q_x^y = q_x^{1994} \cdot (1 - AA_x)^{y-1994}$.

Table 3 — Withdrawal Rates

<i>Service Years</i>	<i>All members</i>
1	0.180
2	0.160
3	0.140
4	0.120
5	0.100
6	0.080
7	0.060
8	0.050
9	0.040
10	0.035
11	0.030
12	0.025
13	0.020
14	0.015
15	0.010
More than 15	0.000

Table 4 — Retirement Rates

<i>Age</i>	<i>All members</i>
55 to 59	0.150
60	0.350
61	0.350
62	0.350
63	0.350
64	0.350
65	1.000

Rationale for Actuarial Assumptions

The rationale for the material actuarial assumptions used in the valuations is provided below.

Going Concern Assumptions

Liability discount rate

The assumption is an estimate of the expected long-term return on plan assets, less a margin for non-investment expenses expected to be paid from the plan, less a margin for adverse deviations. The expected long-term return is based on returns for each major asset class in which the plan is expected to be invested (net of investment expenses), the plan's investment policy and additional net returns assumed to be achieved due to active management and periodic rebalancing to maintain the plan's investment policy.

Rate of salary increase

The assumption reflects an assumed rate of inflation of 2.0% per annum, plus an allowance of 0.5% per annum for the effect of real economic growth and productivity gains in the economy, plus an allowance of 0.5% per annum to reflect average increases in payroll above inflation for the overall plan membership.

Escalation of YMPE under Canada/Quebec Pension Plan

The YMPE is indexed annually based on increases in the Industrial Aggregate Wage index for Canada. The assumption reflects an assumed rate of inflation of 2.0% per annum, plus an allowance of 0.5% per annum for the effect of real economic growth and productivity gains in the economy.

Escalation of Income Tax Act (Canada) maximum pension limitation

The Income Tax Act (Canada) maximum pension limitation is specified in the Act for each year prior to 2010 and is scheduled to be indexed annually based on increases in the Industrial Aggregate Wage index for Canada, beginning in 2010. The assumption reflects an assumed rate of inflation of 2.0% per annum, plus an allowance of 0.5% per annum for the effect of real economic growth and productivity gains in the economy.

Inflation

The assumption reflects an estimate of future inflation considering current economic and financial market conditions.

Mortality

The 1994 Uninsured Pensioner Mortality Table reflects the mortality experience projected to 1994 for a large sample of North American pension plans. Applying Projection Scale AA to 2015 provides allowance for improvements in mortality after 1994 and is commonly considered reasonable for projecting mortality experience into the future. This table is commonly used for valuations where the mortality experience of the membership of a plan is insufficient to assess plan-specific experience and where there is no reason to expect the mortality experience of the plan to differ significantly from that of other pension plans.

Withdrawal

Withdrawal rates are typically developed taking into account the past experience of the plan. However, based on discussions with Catalyst Paper Corporation management, recent withdrawal experience is not considered appropriate for assessing the future incidence of withdrawal as recent withdrawal experience has been influenced by past downsizing programs. Accordingly, the rates of withdrawal are based on discussions with Catalyst Paper Corporation management concerning their future expectations and our experience with other similar plans.

Retirement/pension commencement

Active and disabled members

Retirement rates are typically developed taking into account the past experience of the plan. However, based on discussions with Catalyst Paper Corporation management, recent retirement experience is not considered appropriate for predicting the future incidence of retirement as recent retirement experience has been influenced by past early retirement incentive programs. Accordingly, rates of retirement were developed based on discussions with Catalyst Paper Corporation management concerning their future expectations, the plan provisions and our experience with other similar plans.

Terminated vested members

All terminated members are assumed to commence their pension at the normal retirement age of 65, as the plan's termination benefit provides for an actuarially reduced benefit upon pension commencement prior to normal retirement age.

Disability incidence/recovery

There are no disability benefits under the plan other than the accrual of retirement income (earnings remain constant) during disability. Consequently, the assumption of no incidence of disability or recovery therefrom makes an appropriate allowance, in combination with the other assumptions, for such continued accruals.

Percentage of members with eligible spouses at pension commencement

The assumed percentage of members with a spouse is based on the percentages for the current retiree membership.

Years male spouse older than female spouse

The assumption is based on the age difference in the current retiree membership and an assessment of future expectations for members of the plan.

Provision for expenses

The liability discount rate is net of all expenses and includes an allowance of 0.50% for non-investment expenses. The assumed level of expenses reflected in the liability discount rate is based on recent experience of the plan and an assessment of future expectations.

Solvency and Hypothetical Windup Assumptions

Liability discount rate and mortality

In the event of a plan windup, it is expected that a portion of the liabilities will be settled by a group annuity purchase and the balance of the liabilities will be settled by commuted value transfers.

For the calculation of the portion of the solvency liability relating to the benefits which are expected to be settled by a group annuity purchase, the liability discount rate and mortality rates correspond to an approximation of the annuity purchase rates as at the valuation date following consideration of the Canadian Institute of Actuaries' Educational Note: *Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2007 and December 30, 2008*.

For the calculation of the portion of the solvency liability relating to the benefits which are expected to be settled by commuted value transfers, the liability discount rates have been determined in accordance with the *Standards of Practice for Determining Pension Commuted Values* approved by the Canadian Institute of Actuaries effective February 1, 2005, that were consolidated with the Canadian Institute of Actuaries' *Practice-Specific Standards for Pension Plans* effective May 1, 2006. For this valuation, the December 2007 rates have been used.

Retirement/pension commencement

The assumption has been determined based on the plan termination provisions specified in the plan.

Percentage of members with eligible spouses at pension commencement

The assumed percentage of members with a spouse is based on the percentages for the current retiree membership.

Years male spouse older than female spouse

The assumptions is based on the age difference in the current retiree membership and an assessment of future expectations for members of the plan.

Settlement election on plan windup

This assumption has been determined by considering the benefit provisions of the plan, legislative requirements to offer specific settlement options to various classes of members, and, in particular, the options to be provided to members upon plan windup.

Provision for expenses

Allowance was made for normal administrative, actuarial, legal and other costs which would be incurred if the plan were to be wound up (excluding costs relating to the resolution of surplus or deficit issues). The valuation is premised on a scenario in which the employer discontinues its operations on the windup date and all costs incurred as a result of plan windup were assumed to be paid from the pension fund.

Direction from Plan Administrator

For purposes of preparing this valuation report, the plan administrator has directed that:

- Since to the best of the knowledge of the plan administrator, there is no partial plan windup or termination with an effective date prior to the date of this valuation, involving members employed in Ontario, not yet completed where the partial windup/termination portion of the plan is in a surplus position on the date of this valuation, this report is to be prepared on the basis that there will be no retroactive changes to previously filed partial windup/termination reports, if any, and neither the applicable pension regulator nor the plan sponsor will order/declare any partial plan windup/termination with an effective date prior to the valuation date.

Membership Data

Summary of Membership

	December 31, 2007	December 31, 2006
Defined Benefit Provision		
Active and disabled members:		
■ Number	178	193
■ Average age	54.1	53.3
■ Average credited service	26.0	25.4
■ Annual payroll (including incentive compensation)	\$ 18,448,295	\$ 19,357,165
■ Average salary	\$ 103,642	\$ 100,296
■ Accumulated contributions with interest	\$ 3,107,682	\$ 2,789,623
Retired members and beneficiaries:		
■ Number	1,164	1,169
■ Average age	72.9	72.3
■ Total lifetime annual pension	\$ 19,825,248	\$ 19,786,432
■ Average lifetime annual pension	\$ 17,032	\$ 16,926
Terminated vested members ¹ :		
■ Number	221	232
■ Average age	57.0	57.0
■ Total lifetime annual pension	\$ 635,471	\$ 606,333
■ Average lifetime annual pension	\$ 2,875	\$ 2,614
Defined Contribution Provision		
Active and deferred members:		
■ Number	701	696
■ Total account value	\$ 79,130,778	\$ 81,143,742
■ Average account value	\$ 112,882	\$ 116,586

Note:

¹ Includes members transferred to Industry Plans.

Comments:

- Active and disabled defined benefit membership data were supplied by Catalyst Paper Corporation as at December 31, 2007.



- Inactive defined benefit membership data were supplied by Towers Perrin as at December 31, 2007, in its capacity as third-party plan administrator.
- Defined contribution membership data were supplied by Manulife Financial as at December 31, 2007.

Review of Membership Data

The membership data were reviewed for reasonableness and found to be sufficient and reliable for the purposes of the valuation. Elements of the data review included the following:

- ensuring that the data were intelligible (i.e., that an appropriate number of records was obtained, that the appropriate data fields were provided and that the data fields contained valid information);
- preparation and review of membership reconciliations to ascertain that the complete membership of the pension plan was accounted for;
- preparation and review of age and service distributions for active and disabled defined benefit members for reasonableness;
- comparison, for active and disabled defined benefit members, of average age, average salary (including incentive compensation), aggregate employee contribution account balances and average pensionable service to the prior valuation data for reasonableness;
- comparison, for active and disabled defined benefit members, of aggregate employee contribution data to actual employee contribution remittances made to the plan for the period since the previous valuation date;
- comparison, for terminated vested members, of average age and average deferred pensions to the prior valuation data for reasonableness;
- comparison, for retired members and beneficiaries, of average age and average pensions to the prior valuation data for reasonableness; and
- comparison of aggregate pension payments to actual payments made from the plan for the period prior to the valuation date.

Distribution of Membership

The distribution on page C-3 relates to active and disabled members under the defined benefit provision. The following meanings have been assigned to age, credited service and salary:

- Age Age as at December 31, 2007
- Credited Service Credited service as at December 31, 2007
- Salary Annual rate of salary, including incentive compensation as at January 1, 2008

Active and Disabled Members

Age	Credited Service										Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +			
< 20	Number										
	Total Salary										
	Average Salary										
20 - 24	Number										
	Total Salary										
	Average Salary										
25 - 29	Number										
	Total Salary										
	Average Salary										
30 - 34	Number										
	Total Salary										
	Average Salary										
35 - 39	Number										
	Total Salary										
	Average Salary										
40 - 44	Number										
	Total Salary										
	Average Salary										
45 - 49	Number										
	Total Salary										
	Average Salary										
50 - 54	Number										
	Total Salary										
	Average Salary										
55 - 59	Number										
	Total Salary										
	Average Salary										
60 - 64	Number										
	Total Salary										
	Average Salary										
65 +	Number										
	Total Salary										
	Average Salary										
Total	Number										
	Total Salary										
	Average Salary										

* Excluded for confidentiality purposes

Average Age = 54.1 Average Credited Service = 26.0



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Membership Reconciliation — Defined Benefit Provision

Active and Disabled Members

■ As at December 31, 2006	193
■ Retirements	(11)
■ Terminations:	
— With lump sum settlement	(1)
— With deferred pension entitlement	(3)
■ As at December 31, 2007	<hr/> 178

Retired Members and Beneficiaries

■ As at December 31, 2006	1,169
■ New retirements	25
■ New beneficiaries	(10)
■ Deaths:	
— With survivor's pension	(36)
— Without survivor's pension	10
■ New limited members	4
■ Data corrections	2
■ As at December 31, 2007	<hr/> 1,164

Terminated Vested Members

■ As at December 31, 2006	232
■ New vested terminations	3
■ Retirements	(14)
■ As at December 31, 2007	<hr/> 221

Summary of Plan Provisions

The following is an outline of the principal features of the plan which are of financial significance to valuing the plan benefits. This summary is based on the most recently restated plan document as of January 1, 2004 and its related amendments. For a detailed description of the benefits, please refer to the plan document.

Persons employed by the Company in a permanent full-time salaried position or a permanent part-time salaried position are eligible for membership in the plan. The defined benefit provision of the plan is closed to new entrants with the exception of employees who transfer from an hourly to a salaried position and who were employed by the Company on or before January 1, 1994 (June 30, 1996 for former Pacifica employees). All other new entrants are automatically enrolled in the defined contribution provision.

Defined Benefit Provision – NorskeCanada Plan Provisions

Plan Effective Date

October 1, 1967.

Effective Date of Most Recent Amendment

October 3, 2005 (name change only).

Definitions

a) *Accrued Pension:*

For service before January 1, 1989:

Former BCFP employees:

For each year of credited service from May 1, 1952 to December 31, 1965, 1.5% of final average earnings.

For each year of credited service after January 1, 1966, 1.0% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

In addition, while not a member of the BCFP Plan, 1.0% of final average earnings for each year of continuous service during the mandatory waiting period under the BCFP Plan, plus 0.5% of final average earnings for each year of continuous service other than the mandatory waiting period.

Former CFIL employees:

For each year of credited service, 1.00% of final average earnings up to final average YMPE, plus 1.75% of final average earnings in excess of final average YMPE.

For service after January 1, 1989 but before January 1, 2002:

For each year of credited service, 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

For service while in a Negotiated Plan:

For each year of credited service under the Negotiated Plan, including the period of continuous service from July 14, 1997 to April 20, 1998 for which credited service was not provided under the Negotiated Plan, 1.0% of final average earnings, less any pension payable under the Negotiated Plan.

For service after January 1, 2002:

Core Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

Contributory Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE. However, in respect of credited service under the Contributory Option, the averaging period of service to determine the Final Average Earnings and Final Average YMPE is thirty-six consecutive calendar months, in lieu of sixty consecutive calendar months.

b) Credited Service:

For former BCFP employees, the total period of membership in the plan. For all other employees, the total period of service with a Participating Company, since the employee's first date of employment.

c) Final Average Earnings:

Average of the pensionable earnings for the sixty consecutive calendar months during the last one hundred twenty calendar months for which such compensation is highest, unless otherwise stated.

d) Final Average YMPE:

Average of the YMPE over the same period as is used in the determination of the Final Average Earnings.

e) Negotiated Plan:

Any pension plan that provides pension benefits under the terms of a collective agreement negotiated with a Participating Company.

f) Pensionable Earnings:

Regular compensation including 100% of short term incentive compensation.

g) YMPE:

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed in the defined benefit provision of the plan. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the contributory option of the plan, the member contributes the following percentage of base salary only:

<i>Age</i>	<i>Contributory Option</i>
Under 30	1.0%
30 – 34	1.5%
35 – 39	2.2%
40 – 44	3.0%
45 – 49	3.7%
50 – 54	4.4%
55 or over	4.6%

Former CFIL members' contributions were refunded as of August 1, 1974. Former BCFP members' contributions prior to July 1, 1979 were deposited in a fully insured group annuity contract issued by the Standard Life Assurance Company and the benefits purchased comprise part of each member's total plan benefit.

Normal Retirement

a) Eligibility:

First day of the month coincident with or next following attainment of age 65.

b) Annual Pension:

Accrued pension.



c) **Maximum Pension:**

Maximum permitted under Income Tax Act regulations for registration of pension plans.

d) **Minimum Pension:**

\$40.00 per month for each year of credited service.

Early Retirement

a) **Eligibility:**

First day of the month coincident with or next following attainment of age 55.

b) **Annual Pension:**

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

a) **Eligibility:**

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

b) **Annual Pension:**

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

a) **Normal Form:**

For service under the Contributory Option:

If a member has a spouse, a pension payable for the member's lifetime with 60% payable to the member's spouse, if surviving, in the case of the member's death. If the member does not have a spouse, 10-year guarantee and life thereafter.

For all other service:

If a member has a spouse, an actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of the member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under the contributory option coverage will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

a) Before two years of service:

Refund of member's contributions with interest.

b) After two years of service:

Normal retirement benefit accrued to termination date, payable at age 65, or, for a former BCFP Plan member who has completed 20 or more years of service at date of termination, at age 60. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit

a) Before 2 years of service:

Refund of member's contributions with interest payable to spouse or beneficiary.

b) After 2 years of service and before age 55:

Lump sum payment equal to the commuted value of member's accrued pension payable to spouse or beneficiary.

c) After 2 years of service and after age 55:

Survivor pension payable to spouse until death equal to 60% of the member's early retirement benefit, as if the member had retired early and selected the 60% contingent annuitant option. Minimum survivor pension is that which is actuarially equivalent to the commuted value of member's accrued pension.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the Contributory Option.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under the Contributory Option shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Benefit Provision – Pacifica Plan Provisions

Plan Effective Date

June 8, 1988.

Effective Date of Most Recent Amendment

October 3, 2005 (name change only).

Definitions

a) *Accrued Pension:*

For service before July 1, 1996:

For each year of credited service, 2.0% of the average Plan Earnings during the 60 consecutive full months in which the member's Plan Earnings were highest.

For a member employed on or before August 1, 1979, for each year of continuous service prior to enrolment in the Former Plan, 1.0% of the average Plan Earnings during the 60 consecutive full months in which the member's earnings were highest.

For service on and after July 1, 1996:

For each year of credited service:

- the benefit formula rate applicable to the option elected for that year, multiplied by
- the Pensionable Earnings at retirement, averaged over the period applicable to the option elected for that year.

The benefit formula rate and averaging period for pensionable earnings for each option are as follows:

	<i>Core</i>	<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>
Benefit formula rate	1.6%	1.6%	2.0%	2.0%
Averaging period	5 years	3 years	5 years	3 years

b) Pensionable Earnings:

100% of base salary plus 50% of bonus.

c) Plan Earnings:

65% of the member's pensionable earnings up to the YMPE plus 100% of pensionable earnings in excess of the YMPE.

d) YMPE:

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the three options of the plan, the member contributes the following percentage of base salary only:

Age	Option 1	Option 2	Option 3
Under 30	1.0%	0.5%	2.0%
30 – 34	1.5%	1.0%	3.0%
35 – 39	2.2%	1.2%	4.0%
40 – 44	3.0%	1.6%	5.3%
45 – 49	3.7%	2.0%	6.3%
50 – 54	4.4%	2.2%	7.3%
55 or over	4.6%	2.4%	7.8%

Normal Retirement

a) Eligibility:

First day of the month coincident with or next following attainment of age 65.

b) Annual Pension:

Accrued pension.



c) Maximum Pension:

Maximum permitted under Income Tax Act regulations for registration of pension plans.

d) Minimum Pension:

For service before July 1, 1996:

\$40.00 per month for each year of continuous service, less any pension payable to the member from any other company-sponsored plan.

For service on and after July 1, 1996:

The pension provided under the benefit formula under the core option and option 1 will not be less than 2.0% of average Plan Earnings, where the average Plan Earnings is based on 5 years and 3 years respectively.

Early Retirement

a) Eligibility:

First day of the month coincident with or next following attainment of age 55.

b) Annual Pension:

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

a) Eligibility:

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

b) Annual Pension:

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

a) Normal Form:

For service prior to July 1, 1996:

If a member has a spouse, actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.



For service on or after July 1, 1996:

The normal form of pension depends on which option the member has chosen for each year as follows:

	<i>Core</i>	<i>Option 1</i>	<i>Option 2</i>	<i>Option 3</i>
Without a spouse	5-year guarantee	10-year guarantee	5-year guarantee	10-year guarantee
With a spouse	5-year guarantee	Joint & 60% survivor	5-year guarantee	Joint & 60% survivor

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under one of the enhanced optional coverages will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

a) Before two years of service:

Refund of member's contributions with interest.

b) After two years of service:

Normal retirement benefit accrued to termination date, payable at age 65. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit

a) Before 2 years of service:

Refund of member's contributions with interest payable to spouse or beneficiary.

b) After 2 years of service and before age 55:

Lump sum payment equal to 60% of the commuted value of member's accrued pension payable to spouse or beneficiary.

c) After 2 years of service and after age 55:

If the member does not have a spouse, lump sum payment equal to 60% of the commuted value of member's accrued pension payable to beneficiary.

If the member has a spouse, a pension payable to the member's spouse equal to the greater of:

- an Immediate pension payable until death equal to 60% of the member's early retirement benefit, as if the member had retired on the first day of the month in which the member died and selected the 60% contingent annuitant option; and
- the pension which can be provided by 60% of the commuted value of member's accrued pension that would have been payable had the member retired immediately prior to his or her death.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the enhanced options.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under Option 1 or 3 shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Contribution Provision

Plan Effective Date

January 1, 1994.

Definitions

a) Account:

The Individual account established for each DC Member, comprised of the Initial Account Value plus contributions plus investment earned thereon.

b) DC Member:

A member who is entitled to a benefit under the defined contribution provision.

c) Pensionable Earnings:

Base salary including 100% of short term incentive compensation.

d) Initial Account Value:

For any DC Member who was a member of the NorskeCanada Plan on December 31, 1993, the lump sum value, as of December 31, 1993, of the DC Member's defined benefit.

For any DC Member who was a member of the former Pacifica Plan on January 1, 2002, the lump sum value, as of January 1, 2002, of the DC Member's defined benefit.

Eligibility for Membership

Each employee who was a member of the NorskeCanada Plan on December 31, 1993 made an irrevocable election as of December 31, 1993 to be either a defined benefit member ("DB Member") or a DC Member.

Each employee who was a member of the Pacifica Plan on January 1, 2002 made an irrevocable election as of January 1, 2002 to be either a DB Member or a DC Member.

All other employees automatically become DC Members when they join the plan.

Entitlement of DC Members

Upon retirement, death, or termination a DC Member is entitled to the market value of his or her Account.

Contributions

Each month the Company deposits 7% of Pensionable Earnings to the Account of each DC Member.

Investment of Accounts

A DC Member's Account is invested in accordance with the member's election of the investment options offered by the Company.



Certificate of the Plan Administrator

I hereby certify that to the best of my knowledge and belief:

- the outstanding contributions as at December 31, 2007 of \$3,706,605 under the defined benefit provision have been contributed to the plan;
- the information on plan assets forwarded to Towers Perrin Inc. and summarized in Appendix A of this report is complete and accurate;
- the directions from the plan administrator contained in Appendix B of this report are accurate and reflect the plan administrator's judgement of the plan provisions and/or an appropriate basis for the actuarial valuation of the plan;
- the data forwarded to Towers Perrin Inc. and summarized in Appendix C of this report are a complete and accurate description of all persons who are members of the plan, including beneficiaries who are in receipt of a retirement income, in respect of service up to the date of the actuarial valuation;
- the summary of plan provisions contained in Appendix D of this report is accurate and includes all provisions which have a material effect on the determination of plan contributions and liabilities; and
- there have been no events which occurred subsequent to the valuation date that would materially change the plan's financial position as at the valuation date.

Signature

Date

Name

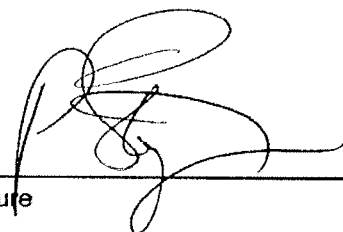
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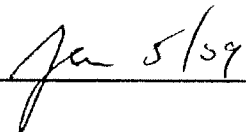

**TOWERS
PERRIN**

Certificate of the Plan Administrator

I hereby certify that to the best of my knowledge and belief:

- the outstanding contributions as at December 31, 2007 of \$3,706,605 under the defined benefit provision have been contributed to the plan;
- the information on plan assets forwarded to Towers Perrin Inc. and summarized in Appendix A of this report is complete and accurate;
- the directions from the plan administrator contained in Appendix B of this report are accurate and reflect the plan administrator's judgement of the plan provisions and/or an appropriate basis for the actuarial valuation of the plan;
- the data forwarded to Towers Perrin Inc. and summarized in Appendix C of this report are a complete and accurate description of all persons who are members of the plan, including beneficiaries who are in receipt of a retirement income, in respect of service up to the date of the actuarial valuation;
- the summary of plan provisions contained in Appendix D of this report is accurate and includes all provisions which have a material effect on the determination of plan contributions and liabilities; and
- there have been no events which occurred subsequent to the valuation date that would materially change the plan's financial position as at the valuation date.

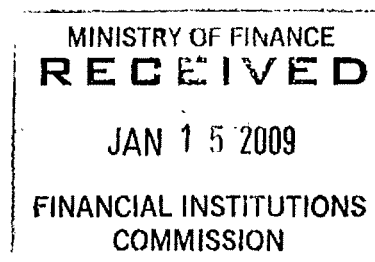

Signature


Date

Name

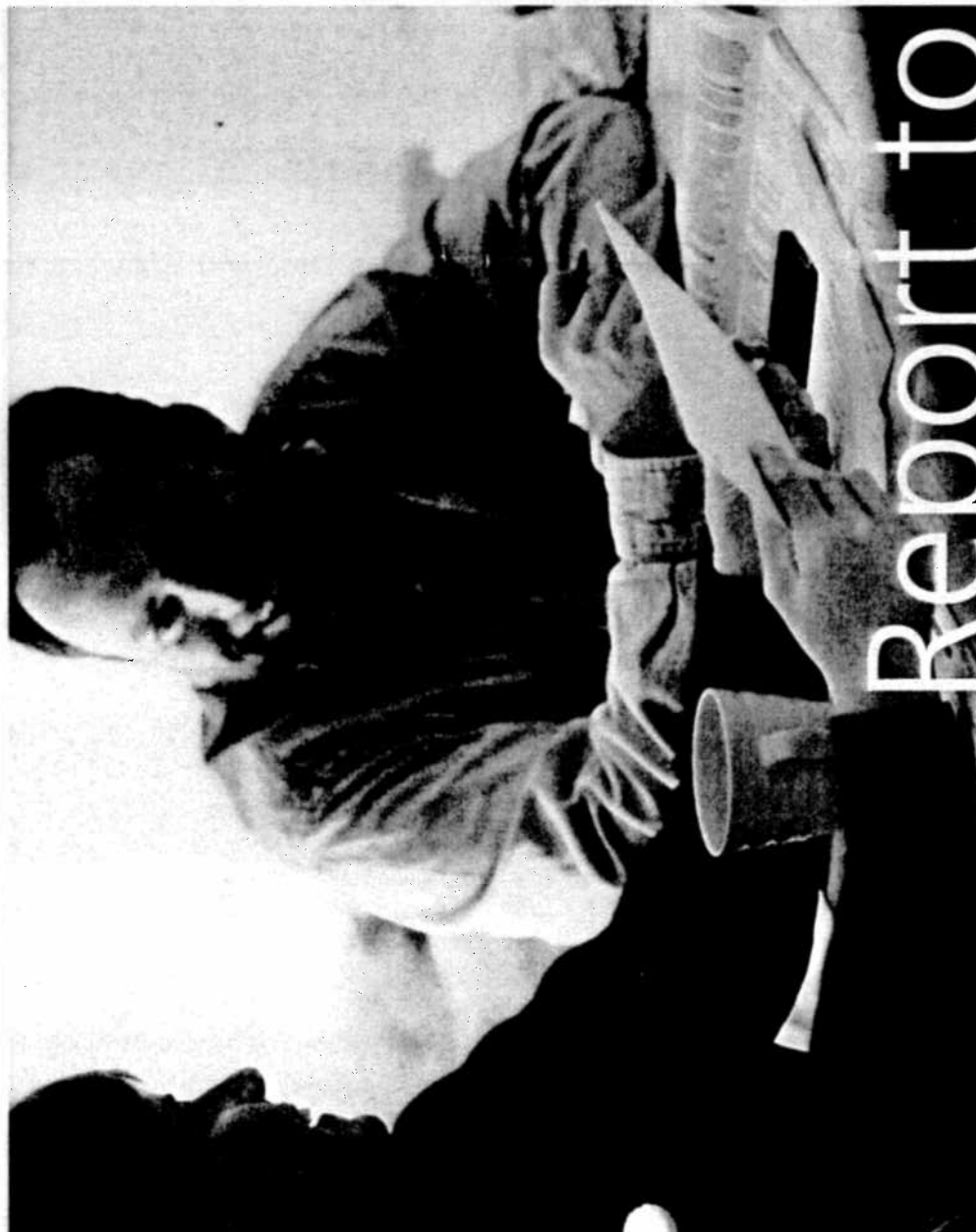
Peter Staiger
Corporate Controller
and Treasurer

Title




**TOWERS
PERRIN**

Catalyst



Report to

Members

This is Exhibit # 4 referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 1st day of June 20 12
Andre G.
A Commissioner for taking Affidavits
within British Columbia

Catalyst Paper
Corporation
Retirement Plan for
Salaried Employees

December 31, 2008

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About This Report

This report focuses on the pension trust fund as it pertains to the Defined Benefit (DB) component of the Catalyst Paper Corporation Retirement Plan for Salaried Employees. It is intended to fulfill statutory disclosure requirements and to help keep you informed of pension plan matters. While the focus of the report is on the DB plan, some of the information may also be of interest to DC plan members.



Catalyst Paper Corporation Retirement Plan for Salaried Employees

Catalyst Paper provides a comprehensive retirement program for salaried employees, including both Defined Benefit (DB) and Defined Contribution (DC) pension plans.

Pension Benefits

The DB plan provides a defined monthly pension benefit, based on the plan's pension formula. The amount of the pension is not affected by how the investments in the pension trust fund perform.

In the DC plan, the Company makes defined contributions to the accounts of individual members who decide how the money is invested. The benefit payable at retirement is not defined but depends on how much has been contributed over the years and on the investment returns on those contributions.

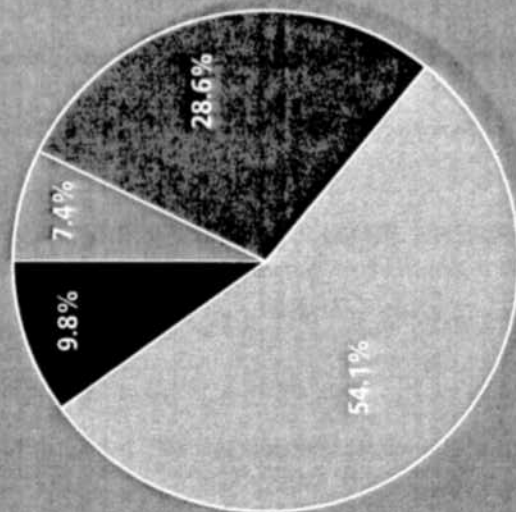
Membership Profile

The Plan includes the following components:

- Defined Benefit (DB)
- Defined Contribution (DC)

The DB component is closed to new members. The DC component is now the only option available to newly hired employees.

As of December 31, 2008, there were 2,143 Plan members, segmented as follows:



Active members:

DB - 159

DC - 613

Retired members and beneficiaries - 1,160

Terminated vested members - 211

2009 Plan Amendment

Earlier this year, Alan Clark, the Superintendent of Pensions for British Columbia, wrote a letter to the Company, asking that the plan provisions dealing with the distribution of assets on plan termination be reviewed. Similar letters were sent to many other companies in BC.

In order to comply with the request from the Superintendent, the Catalyst Paper Plan was amended.

Sponsors of pension plans registered in BC are responsible for funding deficits — even if a plan is terminated. However, if an employer should cease operations, there is the potential for the pension plan to have insufficient assets to provide for all benefits. As a result, all plans must have a provision that sets out a method for the distribution of assets in the event of plan termination.

The Pension Benefits Standards Regulation prescribes a method for the distribution of assets. The prescribed method, in a nutshell, is to distribute assets in proportion to the value of the benefits accrued to each member. For example, if a plan sponsor was to cease operations with an 80% funded pension plan, all members would receive 80% of the value of their accrued benefits. One exception is in respect of employee contributions, which are paid first.

In his letter, the Superintendent expressed concerns about pension plans that have plan termination asset distribution provisions that vary from the one prescribed by the Regulation. In particular, the Superintendent mentioned an example where an employer ceased operations, leaving a pension plan in a deficit position. In this situation, the pension plan provided for a higher priority to retirees, then to active employees age 55 or older and finally to employees under age 55. The end result was that several employees were left with no pension benefits at all.

In the case of the Catalyst Paper Plan, there is some flexibility in how assets are to be distributed in the situation where a deficit exists. The plan sets out a priority similar to the one mentioned above where retirees would be paid first, any remaining assets would then be paid to employees age 55 and over and finally employees under age 55 would be paid last. However, the Catalyst Paper Plan also provides that the Company has the discretion to distribute the plan assets using another method that is deemed equitable and acceptable under pension legislation.

Effective April 1, 2009, the Catalyst Paper Plan was amended to provide that on plan termination, assets would be used first to provide benefits paid from employee contributions and that any remaining assets would be distributed in proportion to the value of every plan member's benefits.

Plan Funding

To fund the DB provision of the Plan, Catalyst Paper maintains and contributes to a pension fund that is held by a custodian, which is currently CIBC Mellon. The assets are kept separate and apart from other Company money, as a way of ensuring that your retirement income is secure regardless of the Company's future operating results.

Under pension legislation, Catalyst Paper is required to have an independent actuary complete an actuarial valuation of the Plan, and to file the valuation with the BC Financial Institutions Commission and the Canada Revenue Agency, at least every three years.

The purpose of an actuarial valuation is to determine the financial health of the pension fund by comparing its assets to the value of the benefits promised to Plan members (the actuarial liabilities) as of a given date. To perform the valuation, the actuary must make a number of assumptions about the demographics of Plan members and the economy.

- Demographic factors that impact the Plan's liabilities include assumptions about when employees will retire or terminate employment, whether or not they will be married when they retire, and how long they will receive their pensions.
- Economic factors that impact the Plan's liabilities include assumptions about future growth in employees' earnings, investment returns of the pension fund, and the interest rate used to determine the commuted value of pensions.

All of the assumptions used to perform the actuarial valuation are set based on accepted actuarial practice and applicable legislation. Nevertheless, because they are assumptions, actual Plan costs will differ from estimated costs. For instance, lower than anticipated fund returns and/or a decrease in long-term interest rates can increase expected costs. As a result, no company can provide an absolute assurance that their pension plan will be 100% funded at all times.

Under the terms of the Plan, Catalyst Paper must cover all deficiencies and unfunded liabilities. When a deficit is reported, pension law requires Catalyst Paper to make special additional contributions to the Plan to offset the shortfall.



The Defined Benefit Promise

The goal of a Defined Benefit plan is to provide you with a retirement income that is based on your earnings and service with Catalyst Paper. Any year-by-year fluctuations in the value of Plan assets and liabilities do not affect the amount of your DB pension.

Financial Position of the Plan

The financial condition of the pension plan is determined by an independent actuary — in Catalyst Paper's case, Towers Perrin. Pension authorities require that the actuary conduct formal pension plan valuations at least once every three years. The last formal valuation was conducted as of December 31, 2007. The next formal valuation is scheduled to be conducted as of December 31, 2010. This report presents the estimated financial condition of the pension plan as of December 31, 2008.

The actuarial valuation specifies the financial condition of the plan assuming it will continue indefinitely (known as a going concern valuation) and if it were to be terminated immediately (known as a plan termination valuation).

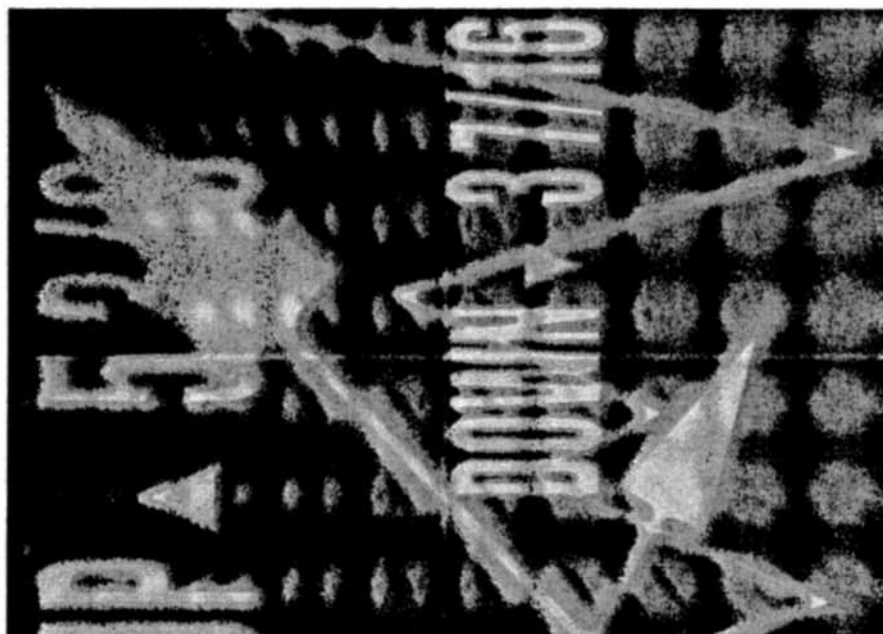
The actuarial valuation also specifies the level of annual contributions Catalyst Paper must make to ensure there's enough money in the pension trust fund to pay out the promised pension benefits to current and future retirees.

Going Concern Financial Condition as of December 31, 2008

For the going concern valuation, the actuary focuses on the long-term future of the plan and makes several assumptions, such as when members will retire, how long pensioners are expected to live, and future pension trust fund investment returns. These assumptions are updated regularly to take into account the experience of the plan and the existing economic environment.

Based on the going concern valuation, as of December 31, 2008, the plan had a funding deficit of \$48,195,000 and a funded ratio of 82%. In comparison, the financial position of the plan as of December 31, 2007 was a deficit of \$12,605,000 and a funded ratio of 95%. The Company is making special payments over a specified period of time (as set out by pension legislation) to fund the plan deficit.

The deterioration of the financial position of the plan since the last valuation is a result of investment losses experienced in 2008. These investment losses offset the additional contributions of \$16,239,000 made by the Company in 2008.



Plan Termination Financial Condition as of December 31, 2008

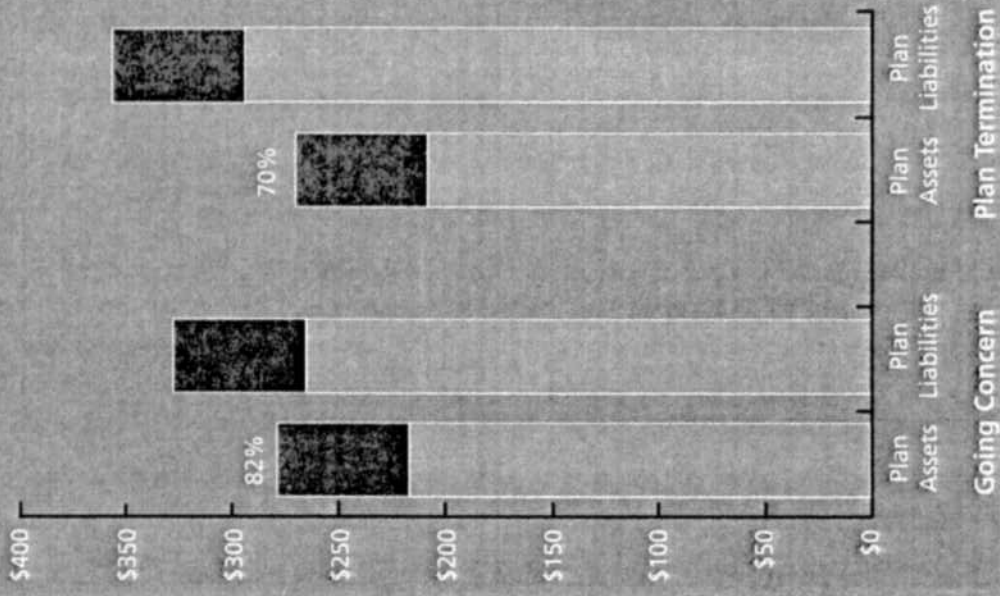
For the plan termination valuation, the actuary determines the cost of settling all pension obligations as of the valuation date. This valuation is significantly affected by prevailing interest rates — so the results are more volatile and, in a low interest rate environment, will generally result in a smaller surplus or larger deficit than the going concern valuation. Such is the case for the Catalyst Paper plan, where the estimated deficit on a plan termination basis as of December 31, 2008 is \$87,759,000. In comparison, the estimated financial position of the plan as of December 31, 2007, on a plan termination basis, was \$44,651,000. The funded ratio on a plan termination basis is 70% as of December 31, 2008 and 85% as of December 31, 2007.

The deterioration of the financial position on a plan termination basis results primarily from unfavourable investment returns, partially offset by the additional contributions the Company made in 2008. The Company is currently making special payments to reduce the funding deficit on a plan termination basis.

Catalyst Paper remains committed to meeting its pension promise for all current and future retirees.

Financial Position as at
December 31, 2008

(millions of \$)



□ Defined Benefit Plan

■ Defined Contribution Plan

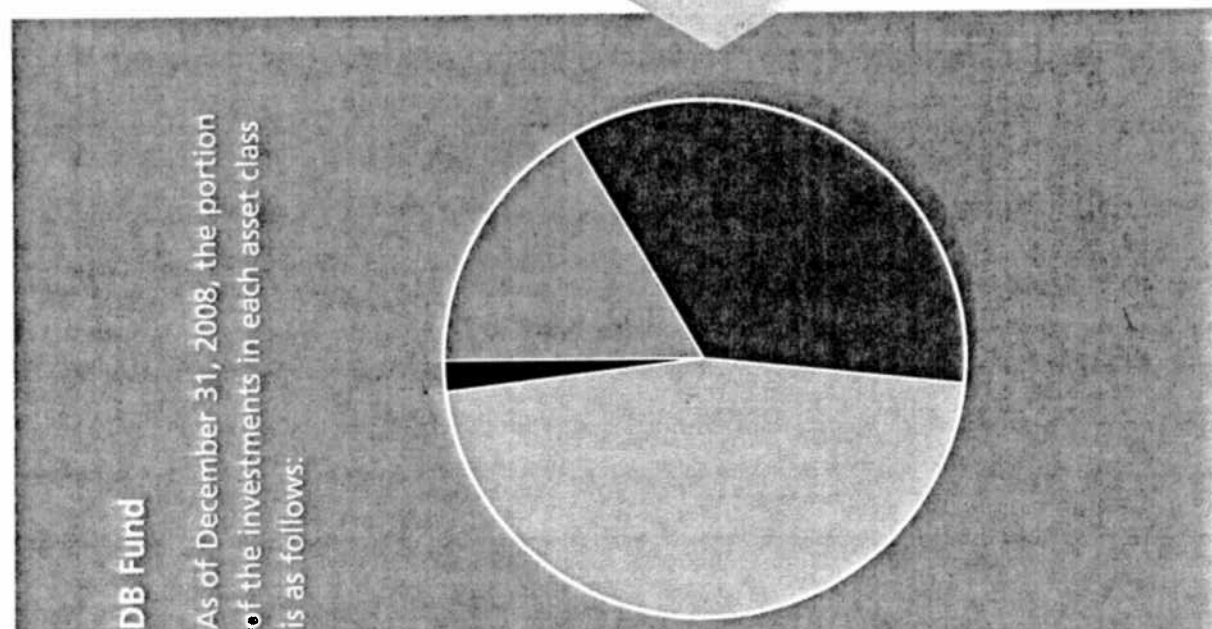
Investment Policy

Money in the pension trust fund is professionally invested by outside investment managers, according to specific investment policies and guidelines. While investment returns will vary from year to year, the focus is on the long-term — ensuring that investment returns are sufficient, over the long term, to meet the pension promise.

The underlying assumptions are that:

- Over the long term, there will be higher investment returns for accepting greater risk; *and*
- Prudent diversification among asset classes will produce an optimal risk/return balance.

To meet the investment objectives, the money is invested in a mix of stocks, bonds and short-term instruments. Stocks are expected to generate higher long-term returns than most other asset classes, with greater volatility and risk. Bonds offer security at a lower rate of return. And, short-term instruments provide the liquidity needed to make benefit payments and pay administrative expenses, with minimal risk.



Investment Performance

What started as a sub-prime mortgage issue in the United States, developed into a true global recession in 2008. Many of the problems that manifested themselves earlier in the year had a major impact on financial markets. The economic news continued to worsen globally. Consumer discretionary spending fell sharply as unemployment rose and consumers suffered the negative effect of reduced wealth due to falling house prices and shrinking investment portfolios.

Global equity markets registered their worst performance in decades, with significant price declines in all major developed markets. Bond markets posted positive returns as investors sought the safety of government bonds amid equity market declines.

Against this backdrop, the Catalyst Paper pension fund had a negative return and underperformed its benchmark in 2008. One investment manager, AllianceBernstein, was replaced in 2009 with J.P. Morgan. All of the investment managers continue to be carefully monitored to ensure they are managing their respective portfolios according to their expected risk level and style.

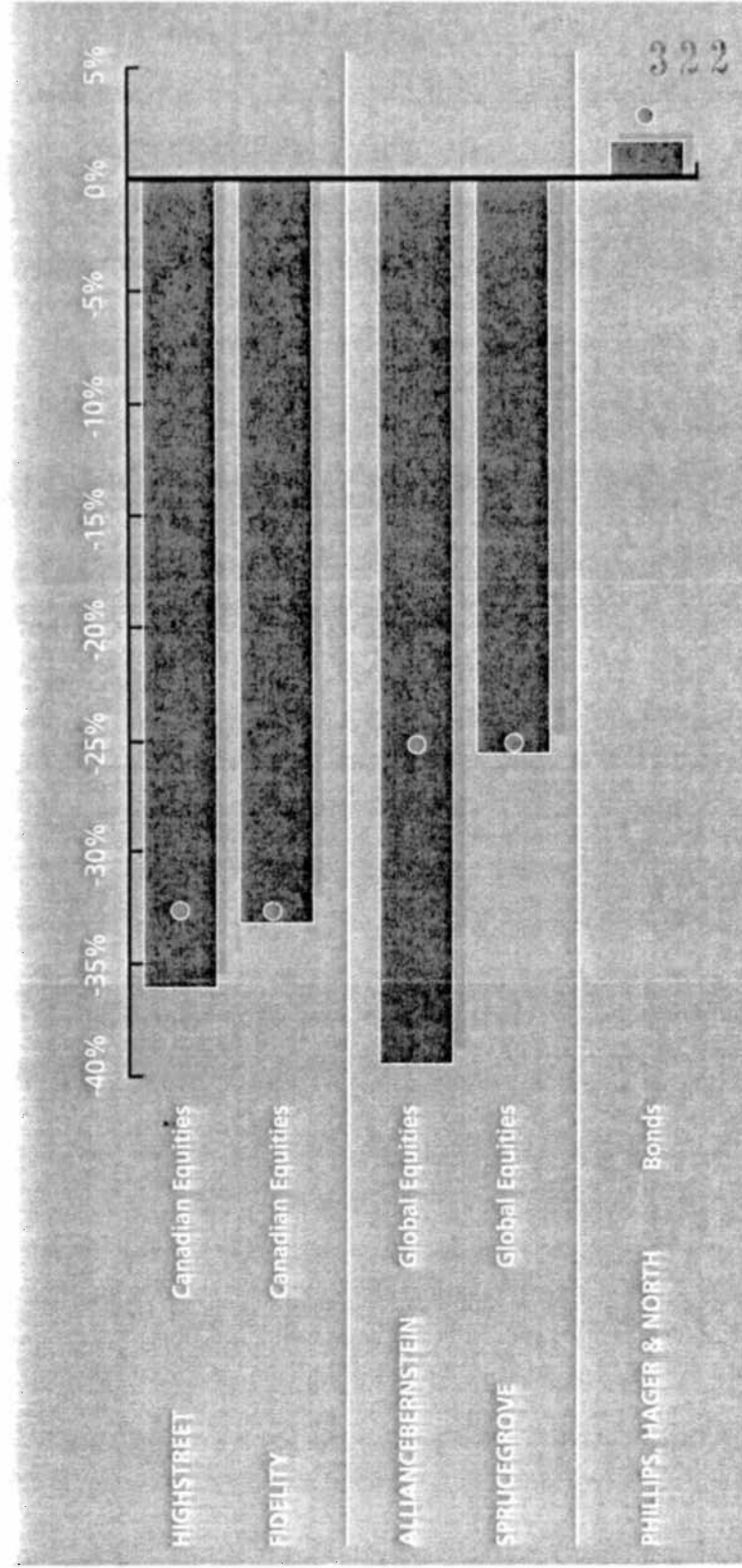
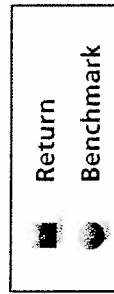
Historical Returns

Here are average annual DB plan pension fund returns for different time periods ending December 31, 2008:

1-Year (2008): -19.2%

4-Year (2005 – 2008): 0.9%

Here is how each investment manager performed in 2008 vs. their benchmarks >



Information for Defined Contribution Members

The Defined Contribution component of the Plan is the only retirement plan option available to employees hired on or after January 1, 2004. Under the DC component, Catalyst Paper makes defined contributions to each member's personal account equal to 7% of his or her pensionable earnings. The member is responsible for investing these contributions within a range of investment options. At retirement, the member's DC account balance is used to provide a lifetime retirement income — through the purchase of an annuity or the transfer of the funds to a personal locked-in retirement vehicle.

DC Recordkeeper

Manulife Financial is currently the DC recordkeeper. Through the Manulife Website, DC members can view their account balances, access information about investment performance and make investment changes.

DC Investment Options

DC members have a range of professionally managed investment options with different risk/return characteristics and investment time horizons. The following options are currently available:

Investment Options	Risk/Return Potential	Investment Time Horizon
Leith Wheeler Diversified Fund	Moderate	Mid to long-term
Phillips, Hager & North Bond Fund	Moderate	Medium term
MFC Money Market	Low	Short-term
SEI Canadian Equity Fund	High	Long-term
Jarislowsky Fraser Canadian Equity Fund	High	Long-term
Manulife BGI US Equity Index Fund	High	Long-term
Fidelity Global Fund	High	Long-term
Templeton International Equity Fund	High	Long-term
SEI Income 20/80 Fund	Moderate	Medium-term
SEI Income 40/60 Fund	Moderate	Mid to long-term
SEI Balanced 60/40 Fund	Moderate	Mid to long-term
SEI Growth 80/20 Fund	Moderate to High	Long-term
SEI Global Growth 100 Fund	High	Long-term
Manulife Guaranteed Interest Deposit Accounts (3 and 5 yr)	Low	Short to medium-term

Asset Allocation

If you participate in the DC plan, it is your right and your responsibility to actively invest your account. To make the most of your plan, you should research your investment options and regularly review your investment allocation to ensure that it remains appropriate given your retirement goals. If you haven't done so lately, please visit the Manulife website to review your current allocation and update your preferences. You may also wish to discuss this with a personal financial advisor.

Member Services

Catalyst Paper provides a number of services to active and retired members of the Retirement Plan.

If you are a DB plan member and have questions about the Plan, or your pension, contact Towers Perrin, the DB plan administrator, toll-free at 1-866-220-2424 or via email at catalystpaper@towersperrin.com.

If you are a DC plan member and have questions about the plan or your account, contact Manulife Financial, the plan administrator, toll-free at 1-888-727-7766 or via email at gromail@manulife.com. View your account balance and asset mix by visiting Manulife Financial's website at www.manulife.ca/GRO.

This is Exhibit "I" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 13th day of June 2012
Andre G. L.
A Commissioner for taking Affidavits
within British Columbia

REPORT TO MEMBERS

CATALYST PAPER CORPORATION
RETIREMENT PLAN FOR SALARIED EMPLOYEES

DECEMBER 31, 2009



CONTENTS OF THIS REPORT

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About This Report

This report focuses on the pension trust fund as it pertains to the Defined Benefit (DB) component of the Catalyst Paper Corporation Retirement Plan for Salaried Employees. It is intended to fulfill statutory disclosure requirements and to help keep you informed of pension plan matters. While the focus of the report is on the DB plan, some of the information may also be of interest to DC plan members.



CATALYST PAPER CORPORATION RETIREMENT PLAN FOR SALARIED EMPLOYEES

Catalyst Paper provides a comprehensive retirement program for salaried employees, including both Defined Benefit (DB) and Defined Contribution (DC) pension plans.

The DB plan provides a defined monthly pension benefit based on the plan's pension formula. Catalyst Paper makes contributions to the DB pension trust fund to pay for the defined benefits. Pension benefits are not affected by how the investments in the trust fund perform.

In the DC plan, Catalyst Paper makes defined contributions to the accounts of individual members who decide how the money is invested. The benefit payable when you leave or retire is not defined, but depends on how much has been contributed over the years and on the investment returns on those contributions.

Effective January 1, 2010, the following changes were made to the Retirement Plan:

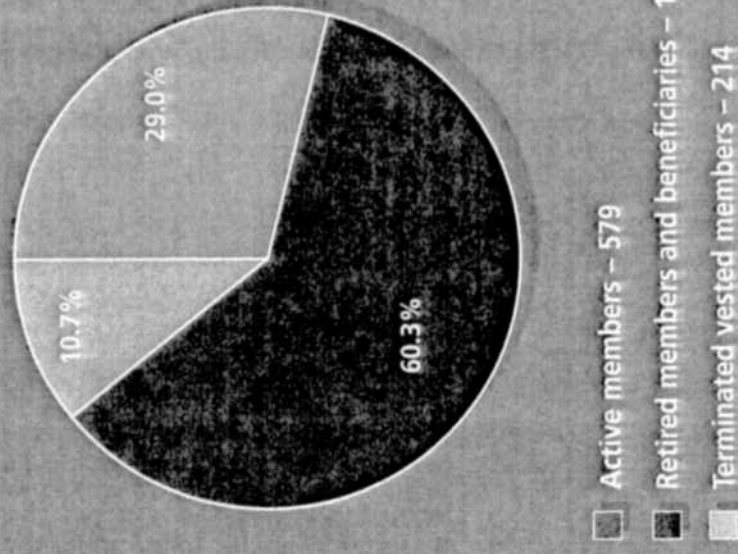
- The Company contribution level under the DC Plan reduced from 7% to 5% of pensionable earnings.
- Current DB plan members in active employment transferred to the DC plan for service from January 1, 2010 forward.

Highlights from 2009

Investment performance was generally favourable during 2009. The DC plan investment return for 2009 for the balanced fund options ranged from 10.9% to 21.1%. The DB pension fund's investment performance was also strong in 2009. The favourable investment return, together with the contributions made to the DB plan by Catalyst Paper during 2009, resulted in an improvement in the financial condition of the DB plan. In 2010, Catalyst Paper will continue to make contributions towards the DB plan deficit.

Membership Profile

As of December 31, 2009, there were 1,996 Plan members, segmented as follows:



INFORMATION FOR DEFINED CONTRIBUTION MEMBERS

Under the DC component, Catalyst Paper makes defined contributions to each member's personal account equal to 5% of his or her pensionable earnings. The member is responsible for investing these contributions within a range of investment options. At retirement, the member's DC account balance is used to provide a lifetime retirement income — through the purchase of an annuity or the transfer of the funds to a personal locked-in retirement vehicle.

DC Recordkeeper

Manulife Financial is currently the DC recordkeeper. Through the Manulife Website, DC members can view their account balances, access information about investment performance and make investment changes.

DC Investment Options

DC members have a range of professionally managed investment options with different risk/return characteristics and investment time horizons. The following options are currently available:

Investment Options	Risk/Return Potential	Investment Time Horizon
Leith Wheeler Diversified Fund	Moderate	Mid to long-term
Phillips, Hager & North Bond Fund	Moderate	Medium term
MFC Money Market	Low	Short-term
SEI Canadian Equity Fund	High	Long-term
Jarislowsky Fraser Canadian Equity Fund	High	Long-term
Black Rock US Equity Index Fund	High	Long-term
Fidelity Global Fund	High	Long-term
Templeton International Equity Fund	High	Long-term
SEI Income 20/80 Fund	Moderate	Medium-term
SEI Income 40/60 Fund	Moderate	Mid to long-term
SEI Balanced 60/40 Fund	Moderate	Mid to long-term
SEI Growth 80/20 Fund	Moderate to High	Long-term
SEI Global Growth 100 Fund	High	Long-term
Manulife Guaranteed Interest Deposit Accounts (3 and 5 yr)	Low	Short to medium-term

Asset Allocation

If you participate in the DC plan, it is your right and your responsibility to actively invest your account. To make the most of your plan, you should research your investment options and regularly review your investment allocation to ensure that it remains appropriate given your retirement goals. If you haven't done so lately, please visit the Manulife website to review your current allocation and update your preferences. You may also wish to discuss this with a personal financial advisor.

DB PLAN FUNDING RELIEF

Pension funding has become a significant issue for many employers. Weak performance of equity markets in 2008 resulted in significant increases in plan deficits for many DB pension plans in Canada and our plan is no exception. As required by law, Catalyst Paper is making special payments to the DB plan to pay down the deficit over time.

As a response to the financial market turmoil experienced in 2008 and early 2009, many provincial governments have been providing temporary solvency funding relief. In this respect, Catalyst Paper submitted an application to the Superintendent of Pensions of the Financial Institutions Commission of British Columbia ("FICOM") for an extension of the time period for deficit funding under the British Columbia Pension Benefits Standards Act ("PBSA"). BC pension regulations normally allow plan sponsors five years to make up any funding shortfall. The Superintendent granted, with effect from July 1, 2009, Catalyst Paper the ability to fund its existing solvency deficit over ten years.

As you are no doubt aware, the global economic recession negatively impacted the pulp and paper industry. Weak advertising spending and ongoing structural changes in the newspaper industry resulted in significant declines in demand for pulp and paper products. As the business adjusts to the new economic and marketplace realities, it is vital that we continue to reduce cash flow requirements. An extension of the pension solvency amortization period, in combination with other initiatives Catalyst is pursuing, will help achieve this goal.

The table below shows the estimated minimum employer contributions required to fund the DB plan deficit in 2009 and 2010, with and without implementation of the solvency funding relief measures:

Calendar Year	MINIMUM EMPLOYER CONTRIBUTION REQUIREMENTS TO FUND DEFICIT (IN \$CDN)		
	Without funding relief	With funding relief	Reduction
2009	\$ 9,194,196	\$ 6,531,482	\$ 2,662,714
2010	\$ 9,194,196	\$ 3,868,768	\$ 5,325,428

As the solvency funding relief will result in a short-term reduction in employer contributions to the plan, implementing these measures may reduce the security of the pension benefits accrued under the plan during the short-term. However, it is expected this reduction in security will diminish over time and will be eliminated as Catalyst Paper pays down the plan deficit. So, although we will contribute less than we otherwise would have in each of the next five years, the total amount we will have contributed at the end of 10 years will be the same as what we would have contributed over five years.

All DB plan members will retain their accrued benefits and retirees and beneficiaries will continue to receive pension benefits in accordance with the terms of the plan and the requirements of the British Columbia PBSA

DB PLAN FUNDING

To fund the DB provision of the Plan, Catalyst Paper maintains and contributes to a pension fund that is held by a custodian, which is currently CIBC Mellon. The assets are kept separate and apart from other Company money, as a way of ensuring that your retirement income is secure regardless of the Company's future operating results.

Under pension legislation, Catalyst Paper is required to have an independent actuary complete an actuarial valuation of the Plan, and to file the valuation with the BC Financial Institutions Commission and the Canada Revenue Agency, at least every three years.

The purpose of an actuarial valuation is to determine the financial health of the pension fund by comparing its assets to the value of the benefits promised to Plan members (the actuarial liabilities) as of a given date. To perform the valuation, the actuary must make a number of assumptions about the demographics of Plan members and the economy.

- Demographic factors that impact the Plan's liabilities include assumptions about when employees will retire or terminate employment, whether or not they will be married when they retire, and how long they will receive their pensions.
- Economic factors that impact the Plan's liabilities include assumptions about future growth in employees' earnings, investment returns of the pension fund, and the interest rate used to determine the commuted value of pensions.

All of the assumptions used to perform the actuarial valuation are set based on accepted actuarial practice and applicable legislation. Nevertheless, because they are assumptions, actual Plan costs will differ from estimated costs. For instance, lower than anticipated fund returns and/or a decrease in long-term interest rates can increase expected costs. As a result, no company can provide an absolute assurance that their pension plan will be 100% funded at all times.

Under the terms of the Plan, Catalyst Paper must cover all deficiencies and unfunded liabilities. When a deficit is reported, pension law requires Catalyst Paper to make special additional contributions to the Plan to offset the shortfall.

The Defined Benefit Promise

The goal of a Defined Benefit plan is to provide you with a retirement income that is based on your earnings and service with Catalyst Paper. Any year-by-year fluctuations in the value of Plan assets and liabilities do not affect the amount of your DB pension.

FINANCIAL POSITION OF THE DB PLAN

The financial condition of the pension plan is determined by an independent actuary — in Catalyst Paper's case, Towers Watson. Pension authorities require that the actuary conduct formal pension plan valuations at least once every three years. The last formal valuation was conducted as of December 31, 2007. The next formal valuation is scheduled to be conducted as of December 31, 2010. This report presents the estimated financial condition of the pension plan as of December 31, 2009.

The actuarial valuation specifies the financial condition of the plan assuming it will continue indefinitely (known as a going concern valuation) and if it were to be terminated immediately (known as a solvency valuation).

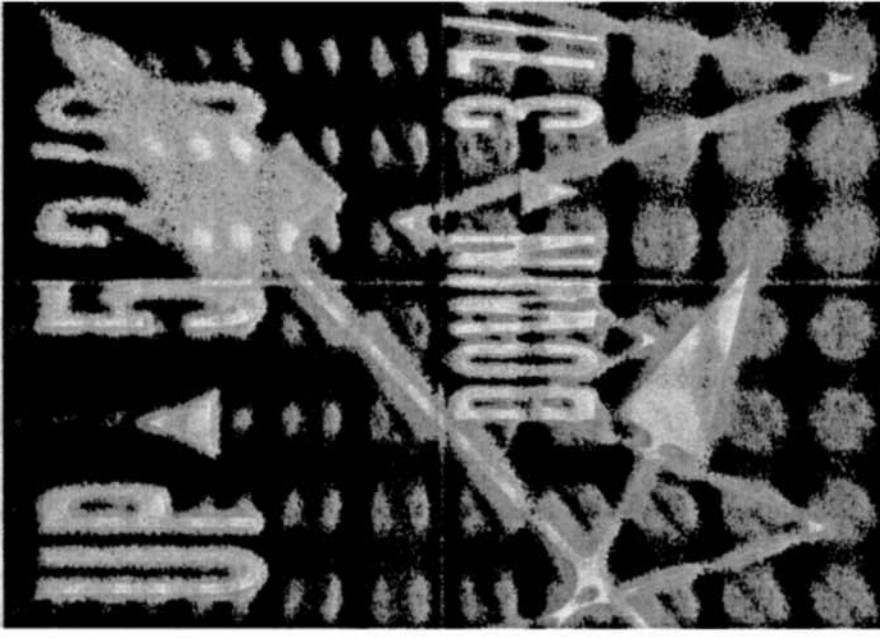
The actuarial valuation also specifies the level of annual contributions Catalyst Paper must make to ensure there's enough money in the pension trust fund to pay out the promised pension benefits to current and future retirees.

Going Concern Financial Condition as of December 31, 2009

For the going concern valuation, the actuary focuses on the long-term future of the plan and makes several assumptions, such as when members will retire, how long pensioners are expected to live, and future pension trust fund investment returns. These assumptions are updated regularly to take into account the experience of the plan and the existing economic environment.

Based on the going concern valuation, as of December 31, 2009, the plan had a funding deficit of \$29,897,000 and a funded ratio of 89%. In comparison, the financial position of the plan as of December 31, 2008 was a deficit of \$48,195,000 and a funded ratio of 82%. The Company is making special payments over a specified period of time (as set out by pension legislation) to fund the plan deficit.

The improvement of the financial position of the plan since the last valuation is primarily due to favourable investment returns achieved in 2009 and to the additional contributions of \$6,532,000 made by the Company in 2009.



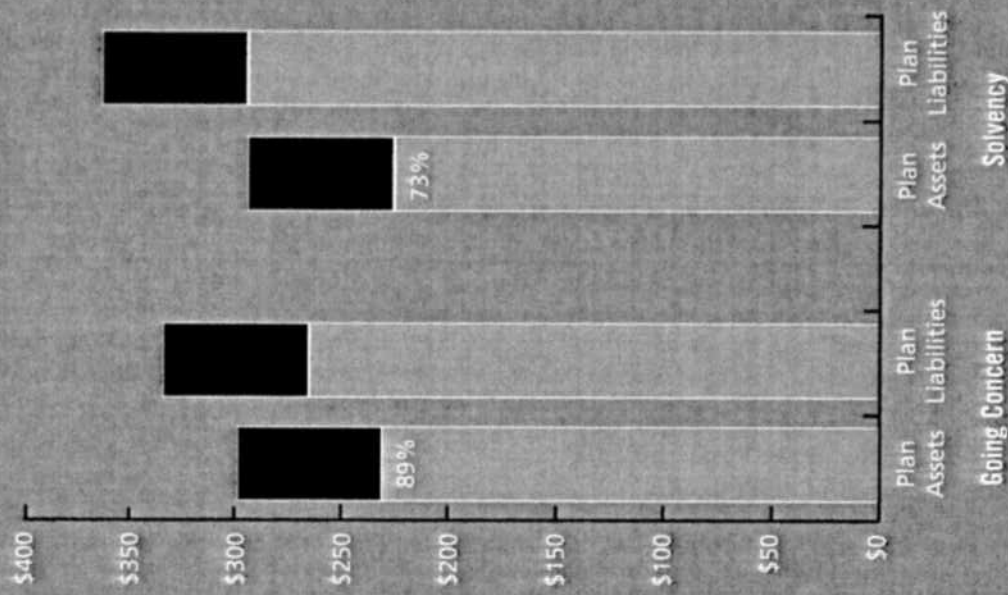
Solvency Financial Condition as of December 31, 2009

For the solvency valuation, the actuary determines the cost of settling all pension obligations as of the valuation date. This valuation is significantly affected by prevailing interest rates — so the results are more volatile and, in a low interest rate environment, will generally result in a smaller surplus or larger deficit than the going concern valuation. Such is the case for the Catalyst Paper plan, where the estimated deficit on a solvency basis as of December 31, 2009 is \$81,417,000. In comparison, the estimated financial position of the plan as of December 31, 2008, on a solvency basis, was \$87,759,000. The funded ratio on a solvency basis is 73% as of December 31, 2009 and 70% as of December 31, 2008.

The improvement of the financial position on a solvency basis results primarily from favourable investment returns and the additional contributions the Company made in 2009, partially offset by a decrease in the interest rates underlying group annuity purchase rates. The Company is currently making special payments to reduce the funding deficit on a solvency basis.

Financial Position as at
December 31, 2009

(millions of \$)



□ Defined Benefit Plan

■ Defined Contribution Plan

DB PLAN INVESTMENT POLICY

Money in the DB pension trust fund is professionally invested by outside investment managers, according to specific investment policies and guidelines. While investment returns will vary from year to year, the focus is on the long-term — ensuring that investment returns are sufficient, over the long term, to meet the pension promise.

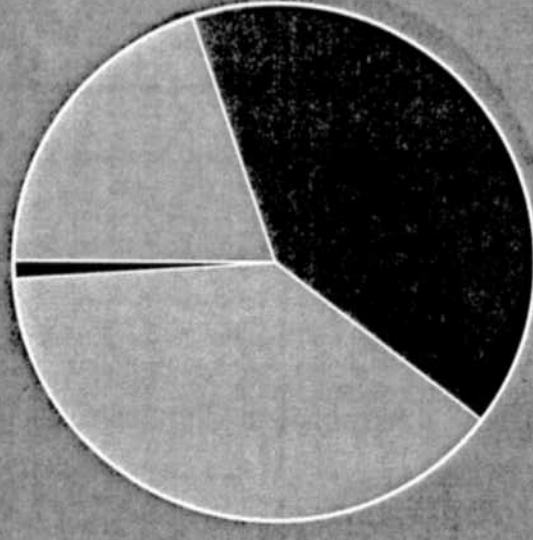
The underlying assumptions are that:

- Over the long term, there will be higher investment returns for accepting greater risk; and
- Prudent diversification among asset classes will produce an optimal risk/return balance.

To meet the investment objectives, the money is invested in a mix of stocks, bonds and short-term instruments. Stocks are expected to generate higher long-term returns than most other asset classes, with greater volatility and risk. Bonds offer security at a lower rate of return. And, short-term instruments provide the liquidity needed to make benefit payments and pay administrative expenses, with minimal risk.

DB Fund

As of December 31, 2009, the portion of the investments in each asset class is as follows:



Canadian Equities – 19.9%

Global Equities – 40.4%

Bonds – 38.8%

Short-term Investments – 0.9%

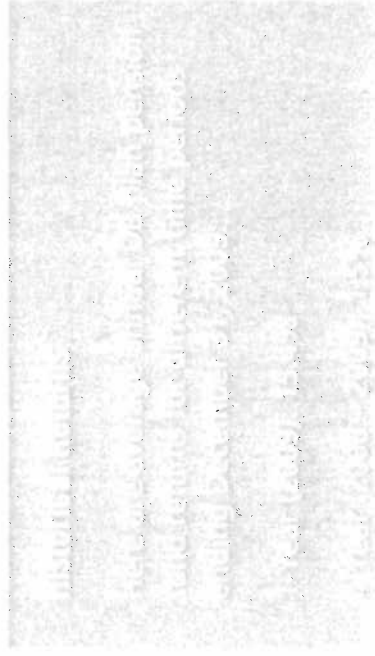
Following the capital market meltdown of 2008, most major equity markets around the world rebounded in 2009, delivering positive returns and ending the year with impressive annual gains. Better than expected third quarter earnings and signals of a global economy recovery helped boost equity markets further into positive territory. The Canadian dollar further strengthened against the US and other foreign currencies, resulting in lower US and international equity returns from the perspective of an unhedged Canadian investor.

The Canadian equity market posted moderate gains during the fourth quarter, capping a strong finish for the year. Canadian small cap stocks markedly outperformed large cap stocks and posted stellar returns over the 2009 period.

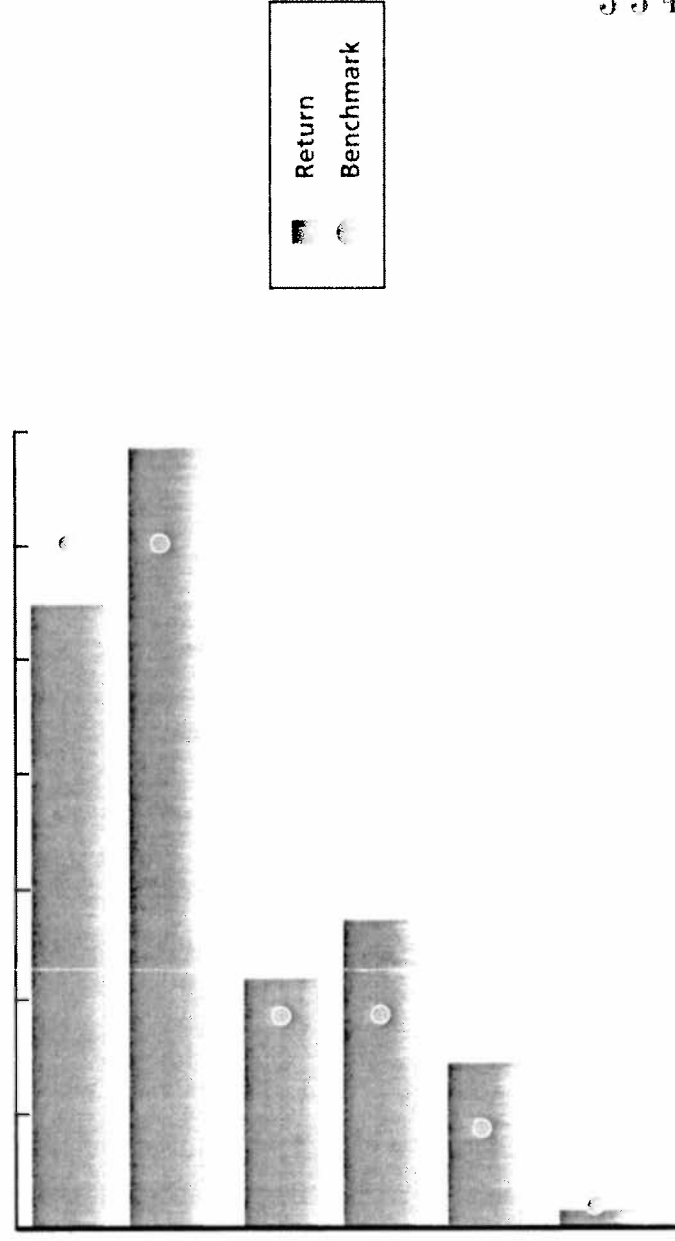
Canadian fixed income markets remained in positive territory over the year.

The Catalyst Paper pension fund posted favourable returns in 2009, outperforming its benchmark by 3.0%. This was due primarily to the outperformance of the two global equity managers, JP Morgan and Sprucegrove and one of the Canadian equity managers, Fidelity. The longer term returns remain positive and continue to outperform the benchmark.

In June 2009, State Street Global Advisors was added as an investment manager to implement a foreign currency hedge on a portion of the pension fund. All of the investment managers are carefully monitored and are managing their respective portfolios according to their expected risk level and style.



Here is how each investment manager performed in 2009 vs. their benchmarks:



MEMBER SERVICES

Catalyst Paper provides a number of services to active and retired members of the Retirement Plan.

If you have questions about the DB Plan, or your DB pension, contact Towers Watson, our DB plan administrator, toll-free at 1-866-220-2424 or via email at catalystpaper@towerswatson.com.

If you have questions about the DC plan or your DC account, contact Manulife Financial, the plan administrator, toll-free at 1-888-727-7766 or via email at gromail@manulife.com. View your account balance and asset mix by visiting Manulife Financial's website at www.manulife.ca/GRO.

DEFINITIONS

Actuary

A professional trained in the technical and mathematical aspects of pension plans. The actuary estimates how much money must be contributed to the DB Plan each year in order to support the benefits that will become payable in the future.

Benchmark

A measure against which an investment portfolio's performance is compared. The benchmark is typically a major market index, such as the S&P/TSX Capped Composite Index (for Canadian Equities), the S&P 500 Index (for US Equities), the MSCI EAFE Index (for International Equities), and the Scotia Capital Long Term Bond Index (for Canadian Bonds).

Beneficiary

A person who, on the death of an employee or retiree, may become entitled to a benefit under the Plan.

Commuted value

The lump sum value of a future pension benefit in today's dollars. The commuted value can fluctuate significantly due to changes in long-term interest rates.

Defined Benefit Plan

A plan under which benefits at retirement are determined based on a formula that reflects the member's earnings and years of membership.

Defined Contribution Plan

A plan under which contributions are defined and benefits at retirement are determined based on the contributions and related investment returns accumulated in a member's individual account.

Going concern basis

A valuation method used to determine pension fund liabilities assuming the Plan will continue into the future.

Pension fund

A trust fund held by an appointed Trustee through which the company funds Retirement Plan benefits. The pension fund is regulated by pension legislation and is separate from Company assets.

Plan assets

The current market value of the assets held in the pension fund.

Plan liabilities

The present value of the total benefit obligations of the Plan. Plan liabilities will vary depending on the purpose of the calculation and the actuarial method used.

Plan termination basis

A valuation method used to determine pension fund liabilities assuming the Plan is terminated on the valuation date.



This is Exhibit "J" referred to in the
 affidavit of William J. Sharkey
 sworn before me at Vancouver
 this 1st day of June 2012
[Signature]
 A Commissioner for taking Affidavits
 within British Columbia

CATALYST PAPER CORPORATION
RETIREMENT PLAN FOR SALARIED EMPLOYEES
Actuarial Valuation as at December 31, 2010

December 20, 2011 – REVISED REPORT

Registration Numbers:

British Columbia Financial Institutions Commission: P085400
 Canada Revenue Agency: 0212076

This document is being filed with the Pension Department of the British Columbia Financial Institutions Commission and the Canada Revenue Agency as required by statute. It contains financial information regarding the plan and the employer sponsoring the plan that has been supplied in confidence. If such information were made available to the general public, it could have an adverse effect on the employer's competitive position within the meaning of subsection 21(1) of the *Freedom of Information and Protection of Privacy Act* of British Columbia, and section 22(1) of the *British Columbia Pension Benefits Standards Act*.

TOWERS WATSON 

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Introduction

Purpose

This report with respect to the Catalyst Paper Corporation Retirement Plan for Salaried Employees (the "plan") has been prepared for Catalyst Paper Corporation, (the "Company" and the plan administrator), and presents the results of the actuarial valuation of the plan as at December 31, 2010.

An initial report on the valuation as at December 31, 2010 was completed and filed on September 27, 2011. In conjunction with the Company's application for solvency relief and at the request of the Superintendent, this report has been revised to remove the smoothing of the asset value for purposes of determining the statutory solvency deficiency as at December 31, 2010.

The principal purposes of the report are:

- to present information on the financial position of the plan on both going concern and solvency bases;
- to review the hypothetical windup status of the plan;
- to provide the basis for employer contributions; and
- to provide certain additional information required to assist in the administration of the plan.

This report outlines the evolution of the plan's financial situation since the previous valuation at December 31, 2007, provides the information and the actuarial opinion required by the *Pension Benefits Standards Act (British Columbia)* and Regulation thereto and provides the information required to maintain plan registration under the *Income Tax Act (Canada)* and Regulations thereto.

This report summarizes the results of the actuarial valuation and contains an actuarial opinion as an integral part of the report. The supporting detailed information on assets, actuarial basis, membership data and plan provisions is contained in the Appendices.

The information contained in this report was prepared for Catalyst Paper Corporation, for its internal use and for filing with the British Columbia Financial Institutions Commission and the Canada Revenue Agency, in connection with the actuarial valuation of the plan prepared by Towers Watson Canada Inc. ("Towers Watson"). This report is not intended, nor necessarily suitable, for other parties or for other purposes. Further distribution of all or part of this report to other parties (except where such distribution is required by applicable legislation) or other use of this report is expressly prohibited without Towers Watson's prior written consent. Towers Watson is available to provide additional information with respect to this report to the above-mentioned intended users upon request.

The numbers in this report are not rounded. The fact that numbers are not rounded does not imply precision.

Significant Events Since Previous Actuarial Valuation

Actuarial Basis

Since the previous actuarial valuation, the solvency and hypothetical windup actuarial assumptions have been updated to reflect market conditions at the valuation date. In addition, there have been changes to the going concern actuarial basis as follows:

- the discount rate assumption was reduced from 6.25% per year to 6.0% per year;
- the mortality assumption was revised to include additional mortality improvements; and
- the asset valuation method was modified.

Additional details are provided in Appendices C and D.

Plan Provisions

This valuation reflects the plan provisions as at December 31, 2010 and does not make any provisions for the possibility that a change or action (retroactive or otherwise) could be imposed by order of a regulatory body or a court.

Effective January 1, 2010, the plan was amended such that active defined benefit members ceased to accrue pension benefits under the defined benefit provision of the plan and began participating in the defined contribution provision of the plan. Benefits accrued under the defined benefit provision for service prior to January 1, 2010 remain under the defined benefit provisions and continue to be eligible for future salary growth and early retirement subsidies. Active defined benefit plan members who were on salary continuance or working notice as at January 1, 2010 will continue to accrue benefits under the defined benefit provisions until the end of the salary continuance or working notice period.

In addition, effective January 1, 2010, the company contribution level under the defined contribution provision of the plan was reduced from 7% to 5% of pensionable earnings.

Legislative and Actuarial Standards Updates

Since the previous valuation, the Canadian Institute of Actuaries published new *Standards of Practice for Pension Commuted Values* effective April 1, 2009. The new standards have been reflected for purposes of the solvency and hypothetical windup valuations.

The *Standards of Practice for Pension Commuted Values* effective April 1, 2009 have subsequently been revised effective February 1, 2011 to update the discount rate and mortality assumptions. The February 1, 2011 revisions have not been reflected for purposes of the solvency and hypothetical windup valuations but will be reflected in the next actuarial valuation.

In June 2009, Catalyst Paper Corporation made an application to the Superintendent for an extension of the time period required for solvency payments under Section 6 of the *Pension Benefits Standards Act (British Columbia)*. Effective July 1, 2009, the Superintendent granted an extension of an additional 5 years to the time required to fund the remaining solvency deficiencies set out in the December 31, 2007 valuation report, resulting in a solvency amortization period of 10 years. For purposes of preparing this valuation, Catalyst Paper Corporation has directed Towers Watson to assume this solvency extension will continue to apply beyond the valuation date.

Subsequent Events

We completed this valuation on September 27, 2011.

The financial impact of the decline in the capital markets and the decrease in long-term bond yields since the valuation date has not been reflected in this report but will, together with other subsequent experience, be reflected in the next actuarial valuation. To the best of our knowledge and on the basis of our discussions with the Company, no other events which would have a material impact on the results of the valuation occurred between the valuation date and the date this valuation was completed.

Section 1: Going Concern Financial Position

1.1 Statement of Financial Position

	December 31, 2010	December 31, 2007
Actuarial Value of Assets		
Defined benefit provision	\$ 242,109,210	\$ 254,887,871
Defined contribution provision	56,262,092	79,130,778
Total actuarial value of assets	<u>\$ 298,371,302</u>	<u>\$ 334,018,649</u>
Actuarial Liability		
Defined Benefit Provision		
Active, disabled and suspended members ¹	\$ 31,822,299	\$ 60,948,602
Retired members and beneficiaries	228,135,324	201,619,615
Terminated vested members	5,479,103	4,924,868
Total	<u>\$ 265,436,726</u>	<u>\$ 267,493,085</u>
Defined Contribution Provision	<u>\$ 56,262,092</u>	<u>\$ 79,130,778</u>
Total actuarial liability	\$ 321,698,818	\$ 346,623,863
Actuarial Surplus (Unfunded Actuarial Liability)	\$ (23,327,516)	\$ (12,605,214)

Note:

¹ The going concern actuarial liability as at December 31, 2010 in respect of members on salary continuance or working notice is \$5,536,517. The going concern actuarial liability as at December 31, 2010 in respect of active members who are accruing future service under the defined contribution provision is \$26,285,782.

Comment:

- The financial position of the plan on a going concern basis is determined by comparing the actuarial value of assets to the actuarial liability and is a reflection of the assets available for the benefits accrued in respect of credited service prior to the valuation date assuming the plan continues indefinitely.

- The increase in the actuarial liability as at December 31, 2010 that would result from a 1% decrease in the valuation discount rate assumption is \$25,411,045. For purposes of this calculation, all other assumptions and methods are those used for the going concern valuation.

1.2 Reconciliation of Financial Position

Actuarial surplus (unfunded actuarial liability) as at December 31, 2007		\$ (12,605,214)
Net special payments:		
• Going concern amortization payments	\$ 4,746,411	
• Solvency amortization payments	21,817,933	
• Transfer deficiency payments	<u>74,553</u>	26,638,897
Expected interest on:		
• Actuarial surplus (unfunded actuarial liability)	\$ (2,514,272)	
• Net special payments	<u>3,393,213</u>	878,941
Plan experience:		
• Investment gains (losses), net of all expenses	\$ (40,423,913)	
• Salary gains (losses)	2,073,214	
• Retirement gains (losses)	(1,345,803)	
• Withdrawal gains (losses)	1,269,795	
• Mortality gains (losses)	(2,078,961)	
• Other gains (losses)	<u>(1,522,457)</u>	(42,028,125)
Change in actuarial basis:		
• Asset valuation method	\$ 12,676,869	
• Discount rate assumption	(5,729,215)	
• Mortality assumption	<u>(3,159,669)</u>	<u>3,787,985</u>
Actuarial surplus (unfunded actuarial liability) as at December 31, 2010		\$ (23,327,516)

Section 2: Solvency and Hypothetical Windup Financial Positions

2.1 Statement of Solvency Financial Position

	December 31, 2010	December 31, 2007
Solvency Value of Assets		
Defined Benefit Provision		
Market value of assets	\$ 228,559,253	\$ 259,155,324
Provision for plan windup expenses	(500,000)	(500,000)
Total solvency value of assets	\$ 228,059,253	\$ 258,655,324
Defined Contribution Provision		
Market value of assets	\$ 56,262,092	\$ 79,130,778
Total Solvency Value of Assets	\$ 284,321,345	\$ 337,786,102
Solvency Liability		
Defined Benefit Provision		
Active, disabled and suspended members ¹	\$ 35,914,188	\$ 64,302,258
Retired members and beneficiaries	258,726,562	232,611,480
Terminated vested members	6,901,088	6,393,014
Total	301,541,838	303,306,752
Defined Contribution Provision	\$ 56,262,092	\$ 79,130,778
Total solvency liability	\$ 357,803,930	\$ 382,437,530
Solvency Surplus (Unfunded Solvency Liability)	\$ (73,482,585)	\$ (44,651,428)
Solvency Ratio – Defined Benefit Provision	0.76	0.85

Note:

¹ The solvency liability as at December 31, 2010 in respect of members on salary continuance or working notice is \$5,940,868. The solvency liability as at December 31, 2010 in respect of active members who are accruing future service under the defined contribution provision is \$29,973,320.

Comments:

- The financial position of the plan on a solvency basis is determined by comparing the solvency value of assets to the solvency liability (the actuarial present value of benefits accrued in respect of credited service prior to the valuation date, calculated as if the plan were wound up on that date).
- The increase in the solvency liability as at December 31, 2010 that would result from a 1% decrease in the valuation discount rate assumption is \$31,502,551. For purposes of this calculation, all other assumptions and methods are those used for the solvency valuation.

2.2 Hypothetical Windup Financial Position

The hypothetical windup actuarial valuation results presented in this report are determined under the same scenario used for the solvency valuation.

If the plan were to be wound up on the valuation date, the hypothetical windup liability would be equal to the solvency liability and the hypothetical windup assets would be equal to the solvency value of assets. Consequently, the hypothetical windup surplus (unfunded hypothetical windup liability) as at the valuation date is \$(73,482,585).

2.3 Solvency Incremental Cost

The solvency incremental cost for a given year represents the present value, at the valuation date, of the expected aggregate change in the solvency liability during the year, increased for expected benefit payments during the year. The solvency incremental costs in respect of each year between December 31, 2010 and December 31, 2013, the next valuation date, are derived from the projection of the solvency liability, as follows:

	2011	2012	2013
Projected solvency liability as at beginning of year	\$ 301,541,838	\$ 293,486,956	\$ 284,211,538
Solvency incremental cost for the year ¹	(180,121)	(604,983)	(1,012,519)
Interest on projected solvency liability, solvency incremental cost and expected benefit payments	14,529,715	13,862,944	13,258,546
Expected benefit payments during year	<u>(22,404,476)</u>	<u>(22,533,379)</u>	<u>(22,386,104)</u>
Projected solvency liability as at end of year	\$ 293,486,956	\$ 284,211,538	\$ 274,071,461

Note:

¹ This amount is as at the beginning of the projection year. The solvency incremental cost as at December 31, 2010, adjusted with interest at 4.5% per year, is \$(578,931) for 2012 and \$(927,194) for 2013.

2.4 Determination of the Statutory Solvency Excess or Deficiency

The minimum funding requirements under the Regulation to the *Pension Benefits Standards Act (British Columbia)* are based on the statutory solvency excess or deficiency as at the valuation date. In calculating the statutory solvency excess or deficiency, various adjustments may be made to the solvency financial position including:

- recognition of the present value of existing amortization payments, including any going concern amortization payments established at the valuation date, due to be paid within the periods prescribed by the Regulation; and
- smoothing of the asset value by use of an averaging technique.

To the extent that there exists a statutory solvency deficiency, after taking account of these adjustments, additional amortization payments must be made. If there is no statutory solvency deficiency, the statutory solvency excess may be used to reduce the period of any existing solvency amortization payments.

Statutory Solvency Excess or Deficiency

	December 31, 2010	December 31, 2007
Solvency surplus (unfunded solvency liability)	\$ (73,482,585)	\$ (44,651,428)
Adjustments to solvency position:		
• Present value of existing amortization payments	\$ 28,076,113	\$ 28,001,795
• Smoothing of asset value	0	N/A
• Total	\$ 28,076,113	\$ 28,001,795
Statutory solvency excess (statutory solvency deficiency)	\$ (45,406,472)	\$ (16,649,633)

Comments:

- The present value of existing amortization payments reflects any changes made in this valuation to going concern amortization schedules.
- Further details on the present value of existing amortization payments at December 31, 2010 are provided on the next page.

Details of Present Value of Existing Amortization Payments

Type of payment	Effective date	Month of last payment recognized in calculation	Annual amortization payment	Present value as at December 31, 2010 (at 4.50% per annum)
Going concern	Jan. 1, 2004	Dec. 2017	\$ 1,582,137	\$ 9,478,944
Going concern	Jan. 1, 2011	Dec. 2015	1,338,057	5,972,257
Solvency	Jul. 1, 2009	Dec. 2016	1,438,631	7,544,344
Solvency	Jul. 1, 2009	Dec. 2017	848,001	5,080,568
Total			\$ 5,206,826	\$ 28,076,113

Section 3: Contribution Requirements

3.1 Contribution for Current Service (Ensuing Year)

	December 31, 2010	December 31, 2007
Employer Normal Actuarial Cost		
Defined Benefit Provision		
Estimated contribution	\$ 106,518	\$ 2,509,220
Estimated payroll ¹	\$ 525,907	\$ 18,448,295
% of payroll	20.25%	13.60%
Defined Contribution Provision		
Estimated contribution	\$ 1,963,200	\$ 4,720,053
Estimated payroll	\$ 39,264,000	\$ 67,429,329
% of payroll	5.0%	7.0%
Estimated Member Contributions		
Defined benefit provision	\$ 29,229	\$ 420,780

Note:

¹ All active members accruing future service under the plan are expected to terminate employment or retire prior to December 31, 2011 as per their employment agreements. Accordingly, the estimated 2011 payroll reflects service up to the members' salary continuance or working notice end dates only.

Comments:

- The employer defined benefit normal actuarial cost rate increased by 6.65% of payroll since the previous valuation. This change is comprised of an increase of 19.6% of payroll due to the change in membership profile and plan provisions an increase of 0.7% of payroll due to the change in the discount rate assumption and a decrease of 13.65% of payroll due to the change in the mortality assumption.
- The increase in the employer normal actuarial cost rate between the valuation date and the next valuation date that would result from a 1% decrease in the valuation discount rate assumption is 3.16% of payroll. For purposes of this calculation, all other assumptions and methods are those used for the going concern valuation.

3.2 Contributions for Past Service

Going Concern Amortization Payments

The unfunded actuarial liability is \$23,327,516 and must be liquidated by employer amortization payments at least equal to the amounts, payable quarterly in arrears, and for the periods set forth below in order to comply with the Regulation to the *Pension Benefits Standards Act (British Columbia)*.

Effective date	Month of last payment	Annual amortization payment	Present value as at December 31, 2010 (at 6.0% per annum)
Jan. 1, 2004	Dec. 2018	\$ 1,582,137	\$ 10,043,118
Jan. 1, 2011	Dec. 2025	1,338,057	13,284,398
Total		\$ 2,920,194	\$ 23,327,516

Statutory Solvency Amortization Payments

The statutory solvency deficiency revealed at this valuation is \$45,406,472. This statutory solvency deficiency, together with the remaining statutory solvency deficiencies from previous valuations, must be liquidated by employer amortization payments at least equal to the amounts, payable quarterly in arrears, and for the periods set forth below in order to comply with the Regulation to the *Pension Benefits Standards Act (British Columbia)*.

Effective date	Month of last payment	Annual amortization payment	Present value as at December 31, 2010 (at 4.50% per annum)
Jul. 1, 2009	Dec. 2016	\$ 1,438,631	\$ 7,544,344
Jul. 1, 2009	Dec. 2017	848,001	5,080,568
Jan. 1, 2011	Dec. 2015	10,173,118	45,406,472
		\$ 12,459,750	\$ 58,031,384

In lieu of making the above solvency amortization payments, the employer may establish a letter of credit for any newly forgone solvency amortization payments, and may either pay the monthly amount of interest accruals thereon to the plan or establish a new or increased letter of credit for such accruals.

3.3 Estimated Minimum Employer Contribution (Ensuing Year)

	December 31, 2010	December 31, 2007
Employer Normal Actuarial Cost		
Defined benefit provision	\$ 106,518	\$ 2,509,220
Defined contribution provision	1,963,200	4,720,053
Total	\$ 2,069,718	\$ 7,229,273
Amortization Payments		
Going concern	\$ 2,920,194	\$ 1,582,137
Solvency	12,459,750	14,581,956
Total	\$ 15,379,944	\$ 16,164,093
Estimated Minimum Employer Contributions	\$ 17,449,662	\$ 23,393,366

3.4 Estimated Maximum Employer Contribution (Ensuing Year)

	December 31, 2010	December 31, 2007
Employer Normal Actuarial Cost		
Defined benefit provision	\$ 106,518	\$ 2,509,220
Defined contribution provision	1,963,200	4,720,053
Total	\$ 2,069,718	\$ 7,229,273
Greater of the Unfunded Actuarial Liability and Unfunded Hypothetical Windup Liability	73,482,585	44,651,428
Estimated Maximum Employer Contributions	\$ 75,552,303	\$ 51,880,701

Comment:

- The *Income Tax Act (Canada)* permits the employer to make contributions up to the above amount less the amortization payments made in respect of periods since December 31, 2010, provided that all assumptions made for the purposes of the hypothetical windup valuation remain reasonable at the time each contribution is made. In addition, the maximum employer contribution is to be adjusted with interest for the period between the December 31, 2010 and the date each contribution is made.

3.5 Timing of Contributions

To satisfy the requirements of British Columbia pension legislation, the employer defined benefit normal actuarial cost and amortization payments must not be less than the amount payable in quarterly instalments and must be paid no later than 30 days after the end of the quarter to which they pertain, while the employer defined contribution normal actuarial cost must not be less than the amount payable in monthly instalments and must be paid no later than 30 days after the end of the month to which they pertain. Members' contributions must be remitted to the fund monthly and within 30 days of the month to which they pertain.

To satisfy the requirements of the *Income Tax Act (Canada)*, employer contributions that are remitted to the plan in the taxation year or within 120 days after the end of such taxation year are deductible in such taxation year provided they were made to fund benefits in respect of periods preceding the end of the taxation year.

3.6 Other Statutory Contributions

Additional contributions may be required in respect of the transfer values for terminating members. Where applicable, such additional contributions must be remitted before the related transfer value may be paid in full to the terminated member. Details are provided in Appendix G.

3.7 Future Contribution Levels

Future contribution levels may change as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of future experience gains or losses, none of which has been anticipated at this time. Emerging experience, differing from the assumptions, will result in gains or losses that will be revealed in future actuarial valuations.

Section 4: Actuarial Certification and Opinion

4.1 Actuarial Certification

Based on the results of these valuations, we hereby certify that, in our opinion, as at December 31, 2010:

- The actuarial surplus (unfunded actuarial liability), determined by comparing the actuarial liability, the measure of obligations of the plan on a going concern basis, to the actuarial value of assets, is \$(23,327,516).
- The unfunded actuarial liability is \$23,327,516 and must be liquidated by employer amortization payments at least equal to the amounts and for the periods set forth in Section 3 in order to comply with the Regulation to the *Pension Benefits Standards Act (British Columbia)*.
- The solvency surplus (unfunded solvency liability), determined by comparing the solvency liability to the solvency value of assets, is \$(73,482,585).
- The statutory solvency excess (deficiency) revealed at this valuation is \$(45,406,472). This statutory solvency deficiency together with the remaining statutory solvency deficiency from the previous actuarial valuation must be liquidated by employer amortization payments at least equal to the amounts and for the periods set forth in Section 3 in order to comply with the Regulation to the *Pension Benefits Standards Act (British Columbia)*.
- The hypothetical windup surplus (unfunded hypothetical windup liability), determined by comparing the hypothetical windup liability to the hypothetical windup value of assets, is \$(73,482,585).
- The excess actuarial surplus, pursuant to Section 147.2(2) of the *Income Tax Act (Canada)*, is \$0.
- The rule for computing the employer defined benefit normal actuarial cost is 20.25% of payroll during 2011 only. All employees currently accruing credited service will either retire or cease to accrue credited service as per their employment agreements during 2011.

The rule for computing the employer defined contribution normal actuarial cost is stipulated in the plan. Based on the plan membership used in this valuation, the defined contribution requirement for the next three years is estimated to be:

Defined Contribution Provision

	Year		
	2011	2012	2013
Estimated employer normal actuarial cost ¹	\$ 1,963,200	\$ 2,022,096	\$ 2,082,759

Note:

¹ Assumes that the employer normal actuarial cost increased by 3.0% each year following the valuation date based on expected payroll increases.

The employer is required to make normal actuarial cost contributions to the plan in accordance with the above rule until the effective date of the next actuarial opinion.

- The maximum employer contributions permissible under the *Income Tax Act (Canada)* are described in Section 3.
- The solvency ratio, as defined in the Regulation to the *Pension Benefits Standards Act (British Columbia)*, is 0.76.
- In accordance with the Regulation to the *Pension Benefits Standards Act (British Columbia)*, the next actuarial valuation should be performed with an effective date not later than December 31, 2013. The basis for employer contributions presented in this report is effective until the next actuarial opinion is filed.

4.2 Actuarial Opinion

In our opinion:

- the membership data on which the valuation is based are sufficient and reliable for the purposes of the going concern, solvency and hypothetical windup valuations,
- the assumptions are appropriate for the purposes of the going concern, solvency and hypothetical windup valuations, and
- the methods employed in the valuation are appropriate for the purposes of the going concern, solvency and hypothetical windup valuations.

This report has been prepared, and our opinion has been given, in accordance with accepted actuarial practice in Canada. The valuations have been conducted in accordance with our understanding of the funding and solvency standards prescribed by the *Pension Benefits Standards Act (British Columbia)* and Regulation thereto, and in accordance with our understanding of the requirements of the *Income Tax Act (Canada)* and Regulations thereto. This actuarial opinion forms an integral part of the report.

The results presented in this report have been developed using a particular set of actuarial assumptions. Other results could have been developed by selecting different actuarial assumptions. The results presented in this report are reasonable actuarial results based on actuarial assumptions reflecting our expectation of future events.

Towers Watson Canada Inc.



Bernard Mercier, FCIA



Jaime Omiński, FCIA

Vancouver, British Columbia
December 20, 2011

Appendix A: Significant Terms of Engagement

For purposes of preparing this valuation report, the plan administrator has directed that:

- The actuarial valuation is to be prepared as at December 31, 2010.
- For purposes of the going concern valuation, the terms of the engagement require the use of the margins for adverse deviations mentioned in Appendix C.
- For purposes of determining the going concern financial position of the plan, the actuarial value of assets is to be determined using the averaging technique described in the Going Concern Asset Valuation Method section in Appendix C.
- The solvency period extension granted by the Superintendent effective July 1, 2009 is to be assumed to continue beyond the valuation date.
- The hypothetical windup valuation results presented in this report are to be determined under a scenario where the employer discontinues to operate and all expenses are paid from the pension fund.

Appendix B: Assets

Statement of Market Value

	December 31, 2010	December 31, 2007
Invested assets:		
• Cash and accrued income	\$ 50,877	\$ 367,619
• Fixed income	86,045,676	105,671,541
• Canadian equities	47,617,035	51,231,113
• Foreign equities	91,592,529	96,436,135
• Other	2,654,128	1,733,132
• Total invested assets	<u>\$ 227,960,245</u>	<u>\$ 255,439,540</u>
Net outstanding amounts:		
• Contributions receivable	\$ 925,634	\$ 3,706,605
• Group annuities	0	22,159
• Benefits payable	(290,002)	0
• Expenses and other payables	(36,624)	(12,980)
• Total net outstanding amounts	<u>\$ 599,008</u>	<u>\$ 3,715,784</u>
Defined Contribution Provision		
Invested assets	<u>\$ 56,262,092</u>	<u>\$ 79,130,778</u>
Total Market Value of Assets	<u>\$ 284,821,345</u>	<u>\$ 338,286,102</u>

Comments:

- The defined benefit assets of the plan are invested, along with those of other Catalyst Paper Corporation registered retirement plans, in the Catalyst Paper Corporation Master Trust. The invested asset allocation shown above reflects the plan's prorata share of each asset class of the Catalyst Paper Corporation Master Trust.
- The invested assets under the defined benefit provision are held by CIBC Mellon under account F441500.
- The invested assets under the defined contribution provision are held by Manulife Financial under policy number 10001106.

- The data relating to the invested assets and net outstanding amounts under the defined benefit provision are based on the audited financial statements issued by KPMG LLP and the financial statements issued by CIBC Mellon. All such data have been relied upon by Towers Watson following tests of reasonableness with respect to contributions, benefit payments and investment income. However, Towers Watson has not independently audited or verified this data.
- The outstanding contributions receivable of \$925,634 as at December 31, 2010 are comprised of \$2,348 of member contributions, (\$43,906) of employer defined benefit normal actuarial cost contributions in respect of over-contribution in 2010, \$395,534 of going concern amortization payments and \$571,658 of solvency amortization payments.

Asset Class Distribution

The following table shows the target asset allocation stipulated by the plan's investment policy in respect of various major asset classes and the actual asset allocation for the defined benefit provision of the plan as at December 31, 2010.

	Target asset allocation ¹	Asset allocation as at December 31, 2010
Fixed income	40%	37.7%
Canadian equity	20%	20.9%
Foreign equity	40 %	40.2%
Cash and cash equivalents	0%	1.2%
Total	100%	100.0%

Note:

¹ This information was obtained from the Statement of Investment Policies and Procedures (SIPP) in effect for the plan as at August 1, 2010.

Reconciliation of Invested Assets (Market Value) – Defined Benefit Provision

Assets as at December 31, 2007		\$	255,439,540
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Receipts:

● Contributions:			
– Employer normal actuarial cost	4,972,845		
– Employer amortization payments	28,799,046		
– Members' required contributions	881,583		
– Employer transfer deficiency contributions	89,209	\$	34,742,683
● Investment return, net of all expenses			3,137,406
● Transfers in from other plans			156,066
● Total receipts		\$	38,036,155

Disbursements:

● Benefit payments:			
– Pension payments	\$ 63,233,588		
– Lump sum settlements	2,281,862	\$	65,515,450
● Total disbursements		\$	65,515,450

Assets as at December 31, 2010	\$	227,960,245
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Comments:

- This reconciliation is based on the audited statements issued by KPMG LLP and the financial statements issued by CIBC Mellon. All such data have been relied upon by Towers Watson following tests of reasonableness with respect to contributions, benefit payments and investment income. However, Towers Watson has not independently audited or verified this data.
- The rate of return earned on the market value of assets, net of all expenses, for the period from December 31, 2007 to December 31, 2010 is approximately 0.4% per annum.

Development of the Actuarial Value of Assets – Defined Benefit Provision Prior Asset Valuation Method

Total Assets Held in the Catalyst Paper Corporation Master Trust

	Adjusted Market Value Beginning from:			
	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009
Adjusted market value as at December 31, 2006	\$ 275,820,155			
Net cash flow for 2007	(5,879,368)			
Assumed investment return (6.70%)	18,282,992			
Adjusted market value as at December 31, 2007	\$ 288,223,779	\$ 269,269,675		
Net cash flow for 2008	(3,294,751)	(3,294,751)		
Assumed investment return (4.80%)	13,755,667	12,845,870		
Adjusted market value as at December 31, 2008	\$ 298,684,695	\$ 278,820,794	\$ 213,893,340	
Net cash flow for 2009	(11,142,911)	(11,142,911)	(11,142,911)	
Assumed investment return (2.82%)	8,265,793	7,705,631	5,874,677	
Adjusted market value as at December 31, 2009	\$ 295,807,577	\$ 275,383,514	\$ 208,625,106	\$ 234,881,461
Net cash flow for 2010	(20,018,027)	(20,018,027)	(20,018,027)	(20,018,027)
Assumed investment return (3.08%)	8,802,596	8,173,535	6,117,376	6,926,071
Adjusted market value as at December 31, 2010	\$ 284,592,146	\$ 263,539,022	\$ 194,724,455	\$ 221,789,505
				\$ 240,010,987
Actuarial Value of Assets				
Average of the five adjusted market values as at December 31, 2010				\$ 240,931,223
Corridor maximum value (105% of market value of assets)				252,011,537
Corridor minimum value (95% of market value of assets)				228,010,438
Actuarial value of assets as at December 31, 2010				\$ 240,931,223
Ratio of actuarial value of assets over market value of assets (\$240,931,223 / \$240,010,987)				1.00383

Development of the Actuarial Value of Assets – Defined Benefit Provision Current Asset Valuation Method

Total Assets Held in the Catalyst Paper Corporation Master Trust

	Adjusted Market Value Beginning from:			
	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2010
Adjusted market value as at December 31, 2006	\$ 275,820,155			
Net cash flow for 2007	(5,879,368)			
Assumed investment return (6.25%)	<u>17,055,029</u>			
Adjusted market value as at December 31, 2007		\$ 269,269,675		
Net cash flow for 2008		(3,294,751)		
Assumed investment return (6.25%)		<u>16,726,394</u>		
Adjusted market value as at December 31, 2008			\$ 213,893,340	
Net cash flow for 2009			(11,142,911)	
Assumed investment return (6.25%)			<u>13,020,118</u>	
Adjusted market value as at December 31, 2009				\$ 234,881,461
Net cash flow for 2010				(20,018,027)
Assumed investment return (6.25%)				<u>14,054,528</u>
Adjusted market value as at December 31, 2010				\$ 228,917,962
	\$ 307,552,221	\$ 286,290,372	\$ 208,612,616	\$ 240,010,987
Actuarial Value of Assets				
Average of the five adjusted market values as at December 31, 2010				\$ 254,276,832
Corridor maximum value (110% of market value of assets)				264,012,086
Corridor minimum value (90% of market value of assets)				216,009,888
Actuarial value of assets as at December 31, 2010				<u>\$ 254,276,832</u>
Ratio of actuarial value of assets over market value of assets (\$252,276,832 / \$240,010,987)				1.05944

Comments:

- The asset valuation method for the actuarial value of assets is described in Appendix C.
- The starting value of each column is the actual market value of invested assets at the indicated date.
- Net cash flows were calculated as contributions less benefit payments on a cash basis during the year.

Development of the Actuarial Value of Assets as of December 31, 2010 – Defined Benefit Provision

Actuarial Value of Assets for the Salaried Plan – Prior Asset Valuation Method

Market value of plan assets (cash basis)	\$	227,960,245
Ratio of Master Trust actuarial value of assets over market value of assets		1.00383
Actuarial value of invested plan assets	\$	228,833,333
Net outstanding amounts:		
• Contributions receivable	\$	925,634
• Benefits payable		(290,002)
• Expenses payable		(36,624)
• Total	\$	229,432,341

Actuarial Value of Assets for the Salaried Plan – New Asset Valuation Method

Market value of plan assets (cash basis)	\$	227,960,245
Ratio of Master Trust actuarial value of assets over market value of assets		1.05944
Actuarial value of invested plan assets	\$	241,510,202
Net outstanding amounts:		
• Contributions receivable	\$	925,634
• Benefits payable		(290,002)
• Expenses payable		(36,624)
• Total	\$	242,109,210

Comment:

- The rate of return on the actuarial value of assets for the plan, net of all expenses and prior to the change in the asset valuation method, for the period from December 31, 2007 to December 31, 2010 is approximately 1.2% per annum.

Appendix C: Actuarial Basis – Going Concern

Methods

Defined Benefit Provision

Asset Valuation Method

The actuarial value of assets was calculated as the average of the market value of invested assets at the valuation date and the four previous adjusted market values. The adjusted market values at the current valuation date were developed from the fund's market value at the four preceding year-ends. To obtain these adjusted market values, the market values at December 31 of each of the four preceding years were accumulated to the valuation date with net contributions and assumed investment return. Net contributions were calculated as contributions less benefit payments and were assumed to occur uniformly throughout each year.

At the previous valuation, the assumed investment return was calculated assuming that each year the assets earned interest at the average 3-month Canada Treasury Bill rate during the year plus 2.5%. If necessary, the actuarial value of assets was then adjusted so that it falls within 5% of the market value of assets (5% corridor).

Commencing with this valuation, the assumed investment return was calculated assuming that each year the assets earned interest at the going concern discount rate assumption in effect during that year. The revised investment return assumption is considered to be a better estimate of future expected investment returns. If necessary, the actuarial value of assets was then adjusted so that it falls within 10% of the market value of assets (10% corridor).

The actuarial value of invested assets was first calculated in aggregate for all the pension plans which participate in the Catalyst Paper Corporation Master Trust. A ratio equal to the actuarial value of the assets over the market value of the assets for all of the pension plans that participate in the Catalyst Paper Corporation Master Trust was then calculated. The actuarial value of assets for the plan was calculated as the market value of the invested assets of the plan multiplied by the above ratio. The actuarial value of assets for the plan was then adjusted for any outstanding amounts.

The objective of the asset valuation method is to produce a smoother pattern of going concern surplus (deficit) and hence a smoother pattern of contributions consistent with the long-term nature of the going concern valuation.

Such smoothing is achieved by use of an averaging process which systematically recognizes investment returns different from expectations over a four-year period, with 20% recognized at the

valuation date and the remainder at a rate of 20% per year. This method will be expected to average periods of outperformance with periods of underperformance.

The going concern discount rate has been selected to equal the expected return on the assets over long periods of time, with a margin for adverse deviations. As such, it is anticipated that, on average, the asset valuation method will tend to produce a result that is somewhat less than the market value of assets.

Actuarial Cost Method

The actuarial liability and the normal actuarial cost were calculated using the projected unit credit cost method.

Prospective benefits were calculated for each active, disabled and suspended member according to the plan provisions and actuarial assumptions. The actuarial liability was calculated as the actuarial present value of the member's prospective benefits multiplied by the ratio of the member's credited service prior to the valuation date to the member's total potential credited service (the service prorate method). The calculation of the actuarial present value of the member's prospective benefits reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the member's contributions with interest.

The actuarial liability for retired members and beneficiaries and terminated vested members was calculated as the actuarial present value of their respective benefits.

The normal actuarial cost for each active member who is accruing future credited service was calculated as the actuarial present value of the member's prospective benefits divided by the member's total potential credited service, but not less than the member's required contributions. The employer normal actuarial cost for each active and disabled member was determined as the excess of the total normal actuarial cost over the member's required contributions. The normal actuarial cost rate determined by the projected unit credit cost method will be stable over time if the demographic characteristics of the active and disabled members remain stable from valuation to valuation. All other things being equal, a population of active and disabled members whose average age increases (decreases) between actuarial valuations will result in an increasing (decreasing) normal actuarial cost rate.

Defined Contribution Provision

For the purposes of the going concern valuation, the determination of the actuarial liability and normal actuarial cost for the defined contribution provision does not involve the use of an actuarial cost method, nor does it involve actuarial assumptions. By definition, the actuarial liability under a defined contribution provision corresponds with the market value of the members' defined contribution accounts at the valuation date.

The employer normal actuarial cost for each active and disabled member was calculated as the expected employer contribution to be made to the member's defined contribution accounts in the year following the valuation date. The expected contribution to be made to each member's defined contribution account was determined based on each member's pensionable earnings at the valuation date.

Actuarial Assumptions

	December 31, 2010	December 31, 2007
Economic Assumptions (per annum)		
Liability discount rate	6.00%	6.25%
Rate of salary increase	3.00% (nil for disabled members)	Same
Escalation of YMPE under Canada/Québec Pension Plan ¹	2.50%	Same
Escalation of <i>Income Tax Act</i> (Canada) maximum pension limitation ²	2.50%	Same
Inflation	2.00%	Same
Interest on members' contributions	3.25%	Same
Demographic Assumptions		
Mortality	1994 Uninsured Pensioner Mortality Table, projected generationally using Scale AA (refer to Table 1)	1994 Uninsured Pensioner Mortality Table, projected to 2015 using Scale AA (refer to Table 1)
Withdrawal	Age-related rates (refer to Table 2)	Same
Disability incidence/recovery	Nil	Same
Retirement/pension commencement		
• Active, disabled and suspended members	Age-related rates (refer to Table 3)	Same
• Terminated vested members	Earliest unreduced retirement date	Same
Other		
Percentage of members with eligible spouses at pension commencement and electing joint and survivor pension form	90%	Same
Years male spouse older than female spouse	3	Same
Provision for non-investment expenses	None; return on plan assets is net of all expenses	Same

Notes:

- ¹ The YMPE of \$48,300 for 2011 is the starting value for the YMPE projection as at the current valuation and is indexed starting in 2012.
- ² The *Income Tax Act (Canada)* maximum pension limit of \$2,552.22 per year of service in 2011 is the starting value for maximum pension limit projection as at the current valuation and is indexed starting in 2012.

Table 1 — Sample Mortality Rates

1994 Uninsured Pensioner Mortality Table ¹			Scale AA Mortality Improvement Table ²		
Age	Male	Female	Age	Male	Female
20	0.000545	0.000305	20	0.019	0.016
25	0.000711	0.000313	25	0.010	0.014
30	0.000862	0.000377	30	0.005	0.010
35	0.000915	0.000514	35	0.005	0.011
40	0.001153	0.000763	40	0.008	0.015
45	0.001697	0.001046	45	0.013	0.016
50	0.002773	0.001536	50	0.018	0.017
55	0.004758	0.002466	55	0.019	0.008
60	0.008576	0.004773	60	0.016	0.005
65	0.015629	0.009286	65	0.014	0.005
70	0.025516	0.014763	70	0.015	0.005
75	0.040012	0.024393	75	0.014	0.008
80	0.066696	0.042361	80	0.010	0.007
85	0.104559	0.072836	85	0.007	0.006
90	0.164442	0.125016	90	0.004	0.003
95	0.251189	0.200229	95	0.002	0.002
100	0.341116	0.297233	100	0.001	0.001
105	0.440585	0.415180	105	0.000	0.000

Notes:

- ¹ The mortality rates for years after 1994 are computed using the the mortality rates for the year 1994 (q_x^{1994} rates) and mortality improvement rates (AA_x rates).
- ² Using the q_x^{1994} rates and the AA_x rates defined above, the resulting mortality rate for age x in calendar year y is:

$$q_x^y = q_x^{1994} \cdot (1 - AA_x)^{y-1994}$$

Table 2 — Withdrawal Rates

Service Years	All members
1	0.180
2	0.160
3	0.140
4	0.120
5	0.100
6	0.080
7	0.060
8	0.050
9	0.040
10	0.035
11	0.030
12	0.025
13	0.020
14	0.015
15	0.010
More than 15	0.000

Table 3 — Retirement Rates

Age	All members
55 to 59	0.150
60	0.350
61	0.350
62	0.350
63	0.350
64	0.350
65	1.000

Rationale for Actuarial Assumptions

The rationale for the material actuarial assumptions used in the going concern valuation is summarized below.

The going concern assumptions do not include margins for adverse deviations, except as noted below.

Liability discount rate

The liability discount rate assumption of 6.00% is comprised of:

- 6.40% of expected long-term return on invested assets (net of investment expenses); less
- a provision for non-investment expenses expected to be paid from the plan of 0.30% of invested assets; less
- a margin for adverse deviations of 0.10%.

The expected long-term return is based on returns for each major asset class in which the plan is expected to be invested (net of investment expenses), the plan's investment policy with consideration of the effects of diversification and periodic rebalancing to maintain the plan's investment policy but disregarding the expected additional returns and expenses associated with active management.

The expected long-term return for asset classes subject to risk includes an estimated risk premium. Based on historical experience, assets invested in instruments subject to risk are expected to yield higher returns in the long-run than assets invested in risk-free investments (such as government bonds), but these returns may fluctuate significantly from year to year.

At the previous valuation, the liability discount rate was 6.25% per annum. The decrease of 0.25% per annum is due to a decrease in the expected long-term real return on invested assets due to the exclusion of additional returns associated with active management.

Rate of salary increase

The assumption reflects an assumed rate of inflation of 2.0% per annum, plus an allowance of 0.5% per annum for the effect of real economic growth and productivity gains in the economy. In addition, an allowance of 0.5% per annum has been made to reflect the average expected increase as a result of individual employee merit and promotion. The merit/promotion assumption is based on discussions with Catalyst Paper Corporation management concerning their future expectations.

Escalation of YMPE under Canada/Québec Pension Plan

The YMPE is indexed annually based on increases in the Average Industrial Wage index for Canada. The assumption reflects an assumed rate of inflation of 2.0% per annum, plus an allowance of 0.5% per annum for the effect of real economic growth and productivity gains in the economy.

Escalation of Income Tax Act (Canada) maximum pension limitation

The maximum pension limitation under the *Income Tax Act (Canada)* is scheduled to be indexed annually based on assumed increases in the Average Industrial Wage index. The assumption reflects an assumed rate of inflation of 2.0% per annum, plus an allowance of 0.5% per annum for the effect of real economic growth and productivity gains in the economy.

Inflation

The assumption reflects an estimate of future inflation considering current economic and financial market conditions.

Mortality

The 1994 Uninsured Pensioner Mortality Table reflects the mortality experience projected to 1994 for a large sample of North American pension plans. Applying Projection Scale AA generationally provides allowance for improvements in mortality after 1994 and is commonly considered reasonable for projecting mortality experience into the future. This table is commonly used for valuations where the mortality experience of the membership of a plan is insufficient to assess plan-specific experience and where there is no reason to expect the mortality experience of the plan to differ significantly from that of other pension plans. No allowance has been made for mortality prior to retirement with respect to terminated vested members in order to approximate the value of pre-retirement death benefits.

Withdrawal

Withdrawal rates are typically developed taking into account the past experience of the plan. However, based on discussions with Catalyst Paper Corporation management, recent withdrawal experience is not considered appropriate for assessing the future incidence of withdrawal. Accordingly, the rates of withdrawal are based on discussions with Catalyst Paper Corporation management concerning their future expectations and our experience with other similar plans.

Disability incidence/recovery

There are no disability benefits under the plan other than the accrual of retirement income (earnings remain constant) during disability. Consequently, the assumption of no incidence of disability or recovery therefrom makes an appropriate allowance, in combination with the other assumptions, for such continued accruals.

Retirement/pension commencement

Active, disabled and suspended members

Retirement rates are typically developed taking into account the past experience of the plan. However, based on discussions with Catalyst Paper Corporation management, recent retirement experience is not considered appropriate for predicting the future incidence of retirement. Accordingly, rates of retirement were developed based on discussions with Catalyst Paper Corporation management concerning their future expectations, the plan provisions and our experience with other similar plans.

Terminated vested members

All terminated members are assumed to commence their pension at the normal retirement age of 65, (age 60 for certain former BCFP employees) as the plan's termination benefit provides for an actuarially reduced benefit upon pension commencement prior to normal retirement age.

Percentage of members with eligible spouses at pension commencement and electing joint and survivor pension form

When provided, the actual data on the spouse and form of payment were used for retired members. For other members, the assumed percentage of members with a spouse is based on the percentages for the general population. All members with eligible spouses were assumed to elect a joint and survivor pension form.

Years male spouse older than female spouse

When provided, the actual data on the spouse were used for retired members. For other members, the assumption is based on surveys of the age difference in the general population and an assessment of future expectations for members of the plan.

Provision for non-investment expenses

The liability discount rate is net of all expenses (excluding active management fees). The assumed level of expenses reflected in the liability discount rate is based on recent experience of the plan and an assessment of future expectations.

Appendix D: Actuarial Basis – Solvency and Hypothetical Windup

Methods

Defined Benefit Provision

Asset Valuation Method

The market value of assets has been used for the solvency and hypothetical windup valuations, adjusted for net outstanding amounts. The resulting value has been reduced by a provision for plan windup expenses.

Actuarial Cost Method

The solvency and hypothetical windup liabilities were calculated using the unit credit cost method.

The solvency and hypothetical windup liabilities for active, disabled and suspended members were calculated as the actuarial present value of all benefits accrued up to the valuation date (treating all members as if vested). This calculation reflects additional entitlements which may arise due to the application of the 50% employer cost-sharing rule, and is at least equal to the member's contributions with interest.

The solvency and hypothetical windup liabilities for retired members and beneficiaries and terminated vested members were calculated as the actuarial present value of their respective benefits.

Other Considerations

The solvency and hypothetical windup actuarial valuations have been prepared on a hypothetical basis. In the event of an actual plan windup, the plan assets may have to be allocated between various classes of plan members or beneficiaries as required by applicable pension legislation. Such potential allocation has not been performed as part of these solvency and hypothetical windup valuations.

Defined Contribution Provision

For the purposes of the solvency and hypothetical windup valuations, the determination of the liability for the defined contribution provision does not involve the use of an actuarial cost method, nor does it involve actuarial assumptions. By definition, the solvency and hypothetical windup liability under the

defined contribution provision corresponds with the market value of the members' defined contribution accounts at the valuation date.

Solvency Incremental Cost Actuarial Method

The solvency incremental cost for a given year represents the present value, at the valuation date, of the expected aggregate change in the solvency liability during the year, increased for expected benefit payments during the year.

The solvency incremental cost reflects expected decrements and related changes in membership status, accrual of service, any expected changes in benefits, entitlements, members' contributions, pension formula or increases in the maximum pension limits, and projected pensionable earnings during the year.

The solvency incremental cost has been calculated for each year until the next valuation date as the projected solvency liability at the end of the year, minus the solvency liability at the beginning of the year, increased for expected benefit payment during the year. Each of these amounts is discounted to the valuation date using the projected solvency liability discount rate.

The cost method used to calculate the projected solvency liabilities at each projection date is the same as used in the solvency valuation.

Actuarial Assumptions

	December 31, 2010	December 31, 2007
Economic Assumptions (per annum)		
Liability discount rate		
• Annuity purchase	4.50%	Same
• Commuted value	3.30% for 10 years, 5.00% thereafter	4.75% for 10 years, 5.00% thereafter
Discount rate for determining amortization payments ¹	4.50%	Same
Escalation of <i>Income Tax Act (Canada)</i> maximum pension limitation	N/A	Same
Demographic Assumptions		
Mortality	1994 Uninsured Pensioner Mortality Table, projected to 2020 using Scale AA	1994 Uninsured Pensioner Mortality Table, projected to 2015 using Scale AA
Withdrawal	N/A	Same
Disability incidence/recovery	N/A	Same
Retirement/pension commencement	Described in detail on page D-6	Same
Other		
Percentage of members with eligible spouses at pension commencement and electing joint and survivor pension form	90%	Same
Years male spouse older than female spouse	3	3
Provision for expenses		
• Solvency	\$500,000	Same
• Hypothetical windup	\$500,000	Same

Note:

¹ Equal to the liability-weighted average of the liability discount rates for settlements by commuted value (rate in effect for the first 10 years) and annuity purchase.

Rationale for Actuarial Assumptions

The rationale for the material actuarial assumptions used in the valuations is summarized below.

As specified by the Canadian Institute of Actuaries' *Practice-Specific Standards for Pension Plans*, the solvency and hypothetical windup assumptions do not include margins for adverse deviations.

In the event of a plan windup, it is expected that a portion of the liabilities will be settled by a group annuity purchase and the balance of the liabilities will be settled by commuted value transfers.

Liability discount rate

For the calculation of the portion of the solvency and hypothetical windup liabilities relating to the benefits that are expected to be settled by a group annuity purchase, the liability discount rate corresponds to an approximation of the annuity purchase rates as at the valuation date following application of the Canadian Institute of Actuaries' Educational Note published in 2011 by the Pension Plan Financial Reporting Committee providing guidance on assumptions for solvency and hypothetical windup valuations.

For the calculation of the portion of the solvency and hypothetical windup liabilities relating to the benefits that are expected to be settled by commuted value transfers, the liability discount rates have been determined in accordance with the *Standards of Practice for Pension Commuted Values* published by the Canadian Institute of Actuaries effective April 1, 2009. For this valuation, the December 2010 rates have been used.

Escalation of Income Tax Act (Canada) maximum pension limitation

The *Income Tax Act (Canada)* maximum pension limitation specified in the Act as at the valuation date is applied without consideration for future scheduled increases, as pension entitlements are determined as at the valuation date.

Mortality

For benefits that are expected to be settled by commuted value transfers, the assumption has been determined in accordance with the *Standards of Practice for Pension Commuted Values* published by the Canadian Institute of Actuaries effective April 1, 2009. For the benefits that are expected to be settled by a group annuity purchase, the assumption has been set following application of the Canadian Institute of Actuaries' Educational Note published in 2011 by the Pension Plan Financial Reporting Committee providing guidance on assumptions for solvency and hypothetical windup valuations.

Retirement/pension commencement

- Active, disabled and suspended members eligible to retire: immediate pension commencement.
- Former BCFP members with 20 years of service: Pension commences at age 60.
- Otherwise: pension commences at age 65.

For benefits that are expected to be settled by commuted value transfers, this assumption is in accordance with the Canadian Institute of Actuaries' *Standards of Practice for Pension Commuted Values*. For the benefits that are expected to be settled by a group annuity purchase, this assumption is consistent with the expected assumption that would be used by insurers to price the group annuity.

Percentage of members with eligible spouses at pension commencement and electing joint and survivor pension form

See rationale for going concern assumptions in Appendix C.

Years male spouse older than female spouse

See rationale for going concern assumptions in Appendix C.

Percentage of members receiving settlement by commuted value

This assumption has been determined by considering the benefit provisions of the plan, legislative requirements to offer specific settlement options to various classes of members, and, in particular, the options to be provided to members upon plan windup.

The assumption also reflects the expectation that members further from retirement are more likely to elect to settle their pension benefit by a commuted value transfer, while members closer to retirement are more likely to elect to settle their pension benefit through a group annuity purchase where this option is available. In addition, the assumption reflects past plan experience for terminating and retiring members.

Provision for expenses

Allowance was made for normal administrative, actuarial, legal and other costs which would be incurred if the plan were to be wound up (excluding costs relating to the resolution of surplus or deficit issues). The valuation is premised on a scenario in which the employer discontinues to operate after the windup date and all costs incurred as a result of the plan windup were assumed to be paid from the pension fund.

Solvency Incremental Cost Actuarial Assumptions

Demographic and Benefit Projection Actuarial Assumptions

Except as noted below, the projected population, benefits and members' contributions valued in the solvency liability projection are based on the demographic and benefit projection assumptions used for the going concern valuation described in Appendix C.

New entrants

No allowance has been made for new entrants between the current valuation date and next valuation date in the demographic projections as the defined benefit provision is closed to new entrants.

Solvency Liability Projection Actuarial Assumptions

Except as noted below, the assumptions for the solvency liability projections for purposes of calculating the solvency incremental cost are the same assumptions as those used in the solvency valuation described previously.

Mortality

For benefits that are expected to be settled by commuted value transfers, the solvency liability projection assumption reflects the changes to the *Standards of Practice for Pension Commuted Values* effective February 1, 2011 with respect to the mortality assumption for projection dates beyond the date. For greater clarity, the mortality assumption as at December 31, 2010 for benefits expected to be settled by commuted value transfers is the 1994 Uninsured Pensioner Mortality Table, projected to 2020 using Scale AA. The mortality assumption used for the projected solvency liabilities as at December 31, 2011, December 31, 2012 and December 31, 2013 is the 1994 Uninsured Pensioner Mortality Table, projected generationally using Scale AA.

Appendix E: Membership Data

Summary of Membership Data

Active, Disabled and Suspended Members

	December 31, 2010	December 31, 2007
Defined Benefit Provision		
Active and disabled members accruing future service: ¹		
• Number	10	178
• Average age	57.6	54.1
• Average credited service	32.9	26.0
• Annual salary (including incentive compensation)	\$ 1,051,679	\$ 18,448,295
• Average salary	\$ 105,168	\$ 103,642
• Accumulated contributions with interest	\$ 252,409	\$ 3,107,682
Active and disabled members not accruing future service: ²		
• Number	69	N/A
• Average age	54.2	N/A
• Average credited service	25.8	N/A
• Annual salary (including incentive compensation)	\$ 7,103,870	N/A
• Average salary	\$ 102,955	N/A
• Accumulated contributions with interest	\$ 1,520,850	N/A
Total:		
• Number	79	178
• Average age	54.7	54.1
• Average credited service	26.7	26.0
• Annual salary (including incentive compensation)	\$ 8,155,549	\$ 18,448,295
• Average salary	\$ 103,235	\$ 103,642
• Accumulated contributions with interest	\$ 1,773,258	\$ 3,107,682
Defined Contribution Provision		
• Number ³	572	701
• Annualized salary (including incentive compensation)	\$ 39,264,000	\$ 67,429,329
• Average salary	\$ 95,999	\$ 96,190
• Total account value	\$ 56,262,092	\$ 79,130,778
• Average account value	\$ 98,360	\$ 112,882

Notes:

- ¹ The only members accruing future service under the defined benefit provision of the plan as at December 31, 2010 are active and disabled members who were participating in the defined benefit provision and who were on salary continuance or working notice as at January 1, 2010.
- ² Active and disabled members with defined benefit accruals for service prior to January 1, 2010. Effective January 1, 2010, these members are accruing future service in the defined contribution provision of the plan.
- ³ Includes the 69 suspended defined benefit members.

Comment:

- The above counts of active and disabled members under the defined contribution provision include a number of terminated vested members. These members have been excluded in the determination of the annualized payroll and average salary.

The distribution on the following page relates to active, disabled and suspended members under the defined benefit provision. The following meanings have been assigned to age, credited service and salary:

- Age Age as at December 31, 2010
- Credited Service Credited service as at December 31, 2010
- Salary Estimated salary as at January 1, 2011

Active, Disabled and Suspended Members

Age	Credited Service										Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 +			
< 20	Number										
	Total Salary										
	Average Salary										
20 - 24	Number										
	Total Salary										
	Average Salary										
25 - 29	Number										
	Total Salary										
	Average Salary										
30 - 34	Number										
	Total Salary										
	Average Salary										
35 - 39	Number										
	Total Salary										
	Average Salary										
40 - 44	Number										
	Total Salary										
	Average Salary										
45 - 49	Number										
	Total Salary										
	Average Salary										
50 - 54	Number										
	Total Salary										
	Average Salary										
55 - 59	Number										
	Total Salary										
	Average Salary										
60 - 64	Number										
	Total Salary										
	Average Salary										
65 +	Number										
	Total Salary										
	Average Salary										
Total	Number										
	Total Salary										
	Average Salary										

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* Excluded for confidentiality purposes.

Average Age = 54.7 Average Credited Service = 26.7

Retired Members and Beneficiaries

	December 31, 2010	December 31, 2007
• Number	1,195	1,164
• Average age	73.6	72.9
• Total annual lifetime pension	\$ 22,161,275	\$ 19,825,248
• Average annual lifetime pension	\$ 18,545	\$ 17,032

Terminated Vested Members

	December 31, 2010	December 31, 2007
<i>Defined Benefit Provision</i>		
• Number	203	221
• Average age	58.9	57.0
• Total annual lifetime pension	\$ 724,304	\$ 635,471
• Average annual lifetime pension	\$ 3,568	\$ 2,875

Review of Membership Data

The active, disabled and suspended defined benefit membership data were supplied by Catalyst Paper Corporation as at December 31, 2010.

Inactive defined benefit membership data were supplied by Towers Watson as at December 31, 2010, in its capacity as third-party plan administrator.

Defined contribution membership data were supplied by Manulife Financial as at December 31, 2010.

The membership data were reviewed for reasonableness and found to be sufficient and reliable for the purposes of the valuation. Elements of the data review included the following:

- ensuring that the data were intelligible (i.e., that an appropriate number of records was obtained, that the appropriate data fields were provided and that the data fields contained valid information);
- preparation and review of membership reconciliations to ascertain that the complete membership of the pension plan was accounted for;
- review of consistency of individual data items and statistical summaries between the current valuation and the previous valuation;
- review of reasonableness of individual data items, statistical summaries and changes in such information since the previous valuation date; and
- comparison of the membership data and the plan's financial statements for consistency.

Membership Reconciliation – Defined Benefit Provision

	Active and disabled members accruing future service	Active and disabled members not accruing future service	Retired members and beneficiaries	Terminated vested members	Total
As at December 31, 2007	178	0	1,164	221	1,563
• Transferred from hourly plan	2	0	0	0	2
• Transferred to DC plan	(77)	77	0	0	0
• Retirements	(77)	(4)	108	(27)	0
• Deaths	(1)	(1)	0	0	(2)
• Termination with lump sum settlement	(5)	(2)	0	(2)	(9)
• Termination with deferred pension entitlement	(10)	(1)	0	11	0
• New beneficiaries	0	0	36	0	36
• Deceased (with beneficiary)	0	0	(36)	0	(36)
• Deceased (without beneficiary)	0	0	(79)	0	(79)
• Payments ceased due to guarantee end	0	0	(4)	0	(4)
• New Limited Members	0	0	6	0	6
• Net change	(168)	69	31	(18)	(86)
As at December 31, 2010	10	69	1,195	203	1,477

Appendix F: Summary of Plan Provisions

The following is an outline of the principal features of the plan which are of financial significance to valuing the plan benefits. This summary is based on the most recently restated plan document as of January 1, 2010 as provided by Catalyst Paper Corporation, and does not make any provisions for the possibility that a change or action (retroactive or otherwise) could be imposed by order of a regulatory body or a court. It is not a complete description of the plan terms and should not be relied upon for administration or interpretation of benefits. For a detailed description of the benefits, please refer to the plan document.

Persons employed by Catalyst Paper Corporation in a permanent full-time salaried position or a permanent part-time salaried position are eligible for membership in the plan. Effective January 1, 2010, the plan was amended such that active and disabled defined benefit members ceased accruals in the defined benefit provision of the plan and commenced accruing future benefits under the defined contribution of the plan. The defined benefits accrued prior to January 1, 2010 for these members continue to be eligible for future salary growth and early retirement subsidies. Active and disabled defined benefit members who were on salary continuance or on working notice as at January 1, 2010 continue to accrue benefits under the defined benefit provision of the plan until the end of their salary continuance or working notice period.

All new entrants are automatically enrolled in the defined contribution provision.

Defined Benefit Provision – NorskeCanada Plan Provisions

Definitions

Accrued Pension

For defined benefit service before January 1, 1989:

Former BCFP employees:

For each year of credited service from May 1, 1952 to December 31, 1965, 1.5% of final average earnings.

For each year of credited service after January 1, 1966, 1.0% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

In addition, while not a member of the BCFP Plan, 1.0% of final average earnings for each year of continuous service during the mandatory waiting period under the BCFP Plan, plus 0.5% of final average earnings for each year of continuous service other than the mandatory waiting period.

Former CFIL employees:

For each year of credited service, 1.00% of final average earnings up to final average YMPE, plus 1.75% of final average earnings in excess of final average YMPE.

For defined benefit service after January 1, 1989 but before January 1, 2002:

For each year of credited service, 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

For defined benefit service while in a Negotiated Plan:

For each year of credited service under the Negotiated Plan, including the period of continuous service from July 14, 1997 to April 20, 1998 for which credited service was not provided under the Negotiated Plan, 1.0% of final average earnings, less any pension payable under the Negotiated Plan.

For defined benefit service after January 1, 2002 (effective January 1, 2010, all future defined benefit service accruals have ceased except for certain defined benefit members on salary continuance or on working notice):

Core Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE.

Contributory Option

For each year of credited service, an annual pension of 1.3% of final average earnings up to final average YMPE, plus 2.0% of final average earnings in excess of final average YMPE. However, in respect of credited service under the Contributory Option, the averaging period of service to determine the Final Average Earnings and Final Average YMPE is thirty-six consecutive calendar months, in lieu of sixty consecutive calendar months.

Credited Service

For former BCFP employees, the total period of membership in the plan. For all other employees, the total period of service with a Participating Company, since the employee's first date of employment.

Final Average Earnings

Average of the pensionable earnings for the sixty consecutive calendar months during the last one hundred twenty calendar months for which such compensation is highest, unless otherwise stated.

Final Average YMPE

Average of the YMPE over the same period as is used in the determination of the Final Average Earnings.

Negotiated Plan

Any pension plan that provides pension benefits under the terms of a collective agreement negotiated with a Participating Company.

Pensionable Earnings

Regular compensation including 100% of short term incentive compensation.

YMPE

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed in the defined benefit provision of the plan. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the contributory option of the plan, the member contributes the following percentage of base salary only:

Age	Contributory Option
Under 30	1.0%
30 – 34	1.5%
35 – 39	2.2%
40 – 44	3.0%
45 – 49	3.7%
50 – 54	4.4%
55 or over	4.6%

Former CFIL members' contributions were refunded as of August 1, 1974. Former BCFP members' contributions prior to July 1, 1979 were deposited in a fully insured group annuity contract issued by the Standard Life Assurance Company and the benefits purchased comprise part of each member's total plan benefit.

Normal Retirement

Eligibility

First day of the month coincident with or next following attainment of age 65.

Annual Pension

Accrued pension.

Maximum Pension

Maximum permitted under Income Tax Act regulations for registration of pension plans.

Minimum Pension

\$40.00 per month for each year of credited service.

Early Retirement

Eligibility

First day of the month coincident with or next following attainment of age 55.

Annual Pension

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

Eligibility

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

Annual Pension

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

Normal Form

For service under the Contributory Option:

If a member has a spouse, a pension payable for the member's lifetime with 60% payable to the member's spouse, if surviving, in the case of the member's death. If the member does not have a spouse, 10-year guarantee and life thereafter.

For all other service:

If a member has a spouse, an actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of the member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under the contributory option coverage will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

Before two years of service

Refund of member's contributions with interest.

After two years of service

Normal retirement benefit accrued to termination date, payable at age 65, or, for a former BCFP Plan member who has completed 20 or more years of service at date of termination, at age 60. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit***Before 2 years of service***

Refund of member's contributions with interest payable to spouse or beneficiary.

After 2 years of service and before age 55

Lump sum payment equal to the commuted value of member's accrued pension payable to spouse or beneficiary.

After 2 years of service and after age 55

Survivor pension payable to spouse until death equal to 60% of the member's early retirement benefit, as if the member had retired early and selected the 60% contingent annuitant option. Minimum survivor pension is that which is actuarially equivalent to the commuted value of member's accrued pension.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the Contributory Option.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under the Contributory Option shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Benefit Provision – Pacifica Plan Provisions

Definitions

Accrued Pension

For service before July 1, 1996:

For each year of credited service, 2.0% of the average Plan Earnings during the 60 consecutive full months in which the member's Plan Earnings were highest.

For a member employed on or before August 1, 1979, for each year of continuous service prior to enrolment in the Former Plan, 1.0% of the average Plan Earnings during the 60 consecutive full months in which the member's earnings were highest.

For service on and after July 1, 1996 (effective January 1, 2010, all future defined benefit service accruals have ceased except for certain defined benefit members on salary continuance or on working notice):

For each year of credited service:

- the benefit formula rate applicable to the option elected for that year, multiplied by
- the Pensionable Earnings at retirement, averaged over the period applicable to the option elected for that year.

The benefit formula rate and averaging period for pensionable earnings for each option are as follows:

	Core	Option 1	Option 2	Option 3
Benefit formula rate	1.6%	1.6%	2.0%	2.0%
Averaging period	5 years	3 years	5 years	3 years

Pensionable Earnings

100% of base salary plus 50% of bonus.

Plan Earnings

65% of the member's pensionable earnings up to the YMPE plus 100% of pensionable earnings in excess of the YMPE.

YMPE

The Year's Maximum Pensionable Earnings, as defined under the Canada Pension Plan, for each calendar year.

Eligibility for Membership

Membership is closed. All new employees will enrol in the defined contribution provision of the plan.

Member Contributions

No member contributions are required nor allowed for the core option of the plan.

For the three options of the plan, the member contributes the following percentage of base salary only:

Age	Option 1	Option 2	Option 3
Under 30	1.0%	0.5%	2.0%
30 – 34	1.5%	1.0%	3.0%
35 – 39	2.2%	1.2%	4.0%
40 – 44	3.0%	1.6%	5.3%
45 – 49	3.7%	2.0%	6.3%
50 – 54	4.4%	2.2%	7.3%
55 or over	4.6%	2.4%	7.8%

Normal Retirement**Eligibility**

First day of the month coincident with or next following attainment of age 65.

Annual Pension

Accrued pension.

Maximum Pension

Maximum permitted under Income Tax Act regulations for registration of pension plans.

Minimum Pension

For service before July 1, 1996:

\$40.00 per month for each year of continuous service, less any pension payable to the member from any other company-sponsored plan.

For service on and after July 1, 1996:

The pension provided under the benefit formula under the core option and option 1 will not be less than 2.0% of average Plan Earnings, where the average Plan Earnings is based on 5 years and 3 years respectively.

Early Retirement

Eligibility

First day of the month coincident with or next following attainment of age 55.

Annual Pension

Benefit accrued to early retirement date reduced by 0.25% for each month by which retirement date precedes age 60. No reduction for retirement at or after age 60.

Deferred Retirement

Eligibility

Up to the first day of December of the calendar year during which the member attains age 69 if in continued employment with the Company.

Annual Pension

Normal retirement benefit accrued to actual retirement date.

Forms of Payment

Normal Form

For service prior to July 1, 1996:

If a member has a spouse, actuarially reduced pension payable for the member's lifetime with 60% payable to spouse, if surviving, in case of member's death. If the member does not have a spouse, 5-year guarantee and life thereafter.

For service on or after July 1, 1996:

The normal form of pension depends on which option the member has chosen for each year as follows:

	Core	Option 1	Option 2	Option 3
Without a spouse	5-year guarantee	10-year guarantee	5-year guarantee	10-year guarantee
With a spouse	5-year guarantee	Joint & 60% survivor	5-year guarantee	Joint & 60% survivor

Disability

Member receiving Company long term disability benefits continues to accrue credited service. Earnings rate and the YMPE at the date of disability are assumed to continue unchanged during the period of disability.

A member who, prior to commencement of disability, was accruing benefits under one of the enhanced optional coverages will cease making contributions during the period of disability and will accrue benefits under the core option.

Termination Benefit

Before two years of service

Refund of member's contributions with interest.

After two years of service

Normal retirement benefit accrued to termination date, payable at age 65. Portability of the lump sum commuted value is available, as is early retirement on an actuarially reduced basis.

Pre-Retirement Death Benefit

Before 2 years of service

Refund of member's contributions with interest payable to spouse or beneficiary.

After 2 years of service and before age 55

Lump sum payment equal to 60% of the commuted value of member's accrued pension payable to spouse or beneficiary.

After 2 years of service and after age 55

If the member does not have a spouse, lump sum payment equal to 60% of the commuted value of member's accrued pension payable to beneficiary.

If the member has a spouse, a pension payable to the member's spouse equal to the greater of:

- an immediate pension payable until death equal to 60% of the member's early retirement benefit, as if the member had retired on the first day of the month in which the member died and selected the 60% contingent annuitant option; and
- the pension which can be provided by 60% of the commuted value of member's accrued pension that would have been payable had the member retired immediately prior to his or her death.

50% Cost Rule

For a member who has completed 2 or more years of credited service and who retires, dies or terminates employment, the plan will pay for at least 50% of the value of the member's benefit entitlement attributable to service under the enhanced options.

Post-Retirement Benefit Adjustments

The portion of the member's accrued pension attributable to service under Option 1 or 3 shall be increased each January 1, following the member's retirement, by an amount equal to 2%.

Defined Contribution Provision

Definitions

Account

The individual account established for each DC Member, comprised of the Initial Account Value plus contributions plus investment earned thereon.

DC Member

A member who is entitled to a benefit under the defined contribution provision.

Pensionable Earnings

Base salary including 100% of short term incentive compensation.

Initial Account Value

For any DC Member who was a member of the NorskeCanada Plan on December 31, 1993, the lump sum value, as of December 31, 1993, of the DC Member's defined benefit.

For any DC Member who was a member of the former Pacifica Plan on January 1, 2002, the lump sum value, as of January 1, 2002, of the DC Member's defined benefit.

Eligibility for Membership

Each employee who was a member of the NorskeCanada Plan on December 31, 1993 made an irrevocable election as of December 31, 1993 to be either a defined benefit member ("DB Member") or a DC Member.

Each employee who was a member of the Pacifica Plan on January 1, 2002 made an irrevocable election as of January 1, 2002 to be either a DB Member or a DC Member.

Effective January 1, 2010, active and disabled DB Members ceased accruing future benefits under the defined benefit provision and began participating in the defined contribution plan.

All new employees automatically become DC Members when they join the plan.

Entitlement of DC Members

Upon retirement, death, or termination a DC Member is entitled to the market value of his or her Account.

Contributions

- Prior to January 1, 2010: Each month the Company deposits 7% of Pensionable Earnings to the Account of each DC Member.
- On and after January 1, 2010: Each month the Company deposits 5% of Pensionable Earnings to the Account of each DC Member.

Investment of Accounts

A DC Member's Account is invested in accordance with the member's election of the investment options offered by the Company.

Appendix G: Solvency Ratio

	December 31, 2010
Solvency value of assets	\$ 228,059,253
Solvency liability	\$ 301,541,838
Solvency ratio	0.76


Comments:

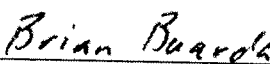
- The solvency value of assets reflects net outstanding amounts and a provision for windup expenses.
- For the purposes of calculating the solvency ratio, the solvency value of assets and the solvency liability exclude the defined contribution provision.
- As the solvency ratio is less than 1.00, transfer deficiencies must be paid over a maximum period of five years unless the employer remits additional contributions in respect of the transfer deficiencies.

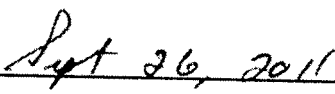
Appendix H: Certificate of the Plan Administrator

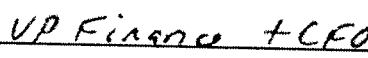
I hereby certify that to the best of my knowledge and belief:

- the significant terms of engagement contained in Appendix A of this report are accurate and reflect the plan administrator's judgement of the plan provisions and/or an appropriate basis for the actuarial valuation of the plan;
- the information on plan assets forwarded to Towers Watson Canada Inc. and summarized in Appendix B of this report is complete and accurate;
- the outstanding contributions of \$925,634 under the defined benefit provision as at December 31, 2010 have been contributed to the plan;
- the data forwarded to Towers Watson Canada Inc. and summarized in Appendix E of this report are a complete and accurate description of all persons who are members of the plan, including beneficiaries who are in receipt of a retirement income, in respect of service up to the date of the actuarial valuation;
- the summary of plan provisions contained in Appendix F of this report is accurate; and
- except as noted on page 3 of the report, there have been no events which occurred between the valuation date and the date this valuation was completed that may have a material impact on the results of the valuation.


Signature


Name


Date


Title

Key Points

Q1 overall investment performance was 3rd quartile at 4.3% before fees. Canadian equity performance was not good (4th quartile), nor was Sprucegrove's Global equity performance (4th quartile).

For the year ended March 2012, total fund performance was 1st quartile but Global equity performance was poor for JP Morgan and average for Sprucegrove.

The Canadian equity managers look good longer term and are still looked upon favourably by Towers Watson. Their styles just didn't fit the first quarter market environment.

The Global equity managers are presenting at the next PAC meeting. JP Morgan has a lot to answer for, whereas Sprucegrove's performance as value manager is at least understandable in this market. In my view JP Morgan should be closely watched.

PH&N continues to perform reasonably well as the bond manager and the bond component of the plan is a very positive contributor to overall performance.

Pyramis and Blackrock gave presentations. Nothing unusual arose during the discussions.

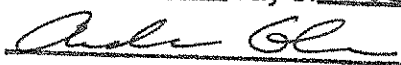
Notwithstanding the perilous state of the company, in January 2012 they moved some of the Canadian equity portfolio into a real estate pooled fund. The fund is just under 5% invested in real estate. Real estate investments require at least a 10 year time horizon and that may be too long for CTL. I simply don't understand their reasoning, but did not make an issue of it. My only query was to ask how liquid the pooled fund units are and was advised they are currently quite liquid, so they could be sold if necessary.

During the meeting, reference was made to a Journey Plan. It sounded from the discussion that it is a very long term plan to immunize the pension liability. That would be an excellent idea if properly implemented. I have asked the company if I can see a copy of the Plan. I await an answer (I only just now sent an email).

Towers Watson presented estimated figures for the financial position of the plan as of March 31/12 and projected to December 31/12.

As of March 31/12 the going concern deficit was \$33.9 million and the solvency deficit was \$105.7 million. These were projected to December 31/12 using March actual figures plus actuarially assumed rates of return for the balance of the year. The results as of December 31/12 were projected to be a going concern deficit of \$30.0 million (88% funded) and a solvency deficit of \$100.0 million (69% funded) Market returns since March 31/12 have not been favourable and the December 2012 projections are unlikely to come to pass unless markets pick up substantially in the second half of 2012.

The meeting was somewhat strange at times, as the participants struggled to stick to their very limited mandate. I have read the mandate, which looks a lot like a lawyer trying to fit a square peg in a round

This is Exhibit "K" referred to in the affidavit of William A. Sharkey sworn before me at Vancouver this 1st day of June 2012

A Commissioner for taking Affidavits
within British Columbia

hole. I do not yet understand how the lawyers feel they can just deem fiduciary obligations to exist or not and how they can deem the PAC to have the best interests of the plan members at heart.

The PAC is definitely taking its duties seriously, even in the face of possible windup of the plan. They are more or less operating in a business as usual mode.



406

No. S120712
Vancouver Registry

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 is Exhibit "L" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 1st day of June 20 12



A Commissioner for taking Affidavits
within British Columbia

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.

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

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.

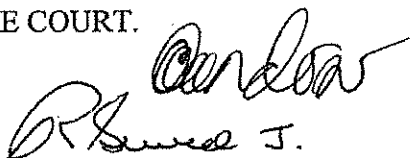
THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



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



BY THE COURT.


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"

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;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Parcels Sale Proposal" means a Sale Proposal for one or more Parcels;

"Petitioners" has the meaning ascribed thereto in the recitals above;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Stalking Horse”

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

Solicitation Process

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

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

Sale and Investment Opportunity

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

“As Is, Where Is”

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

Free Of Any And All Claims And Interests

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

Solicitation of Interest

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

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

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

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

Participation Requirements

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

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

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

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

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

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

Due Diligence

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

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

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

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

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

PHASE 1

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

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

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

Non-Binding Indications of Interest by Qualified Phase 1 Bidders

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

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

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

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

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

Assessment of Qualified Non-Binding Indications of Interest

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

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

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

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

PHASE 2

Seeking Qualified Bids by Qualified Phase 2 Bidders

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

A. Qualified Purchase Bids

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

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

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

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

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

B. Qualified Investment Bids

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

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

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

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

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

Stalking Horse Bid

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

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

No Qualified Bids

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

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

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

Auction

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

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

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

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

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

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

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

Selection Criteria

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

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

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

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

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

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

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

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

Approval Hearings

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

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

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

Deposits

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

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

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

Approvals

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

Notice Parties

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

Reservation of Rights

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

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

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

No Amendment

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

Further Orders

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

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

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

Schedule "B"**SENIOR SECURED NOTES EXCLUDED ASSETS**

Schedule "C"**ADDRESSES FOR NOTICE PARTIES**

(a) To the Catalyst Entities at:

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

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

Blake, Cassels & Graydon LLP
595 Burrard Street
P.O. Box 49314
Suite 2600, Three Bentall Centre
Vancouver BC V7X 1L3

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

Skadden, Arps, Slate, Meagher & Flom LLP
222 Bay Street, Suite 1750
P.O. Box 258
Toronto, Ontario M5K 1J5

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

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue
Suite 3400
Los Angeles, CA 90071

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

(b) To the Financial Advisor at:

Perella Weinberg Partners
[Address]

Attention:
Email:

(c) To the Monitor at:

PricewaterhouseCoopers Inc.

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

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

Fasken Martineau Dumoulin LLP

2900-550 Burrard Street
Vancouver, BC V6C 0A3

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

(d) To the Steering Committee at:

Fraser Milner Casgrain LLP

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

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

Akin Gump Strauss Hauer & Feld LLP

One Bryant Park
New York, NY 10036

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

(e) To the Initial Supporting Noteholders at:

Goodmans LLP

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

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

Fraser Milner Casgrain LLP

77 King Street West
Royal Trust Tower

Toronto, ON M5 K0A1

Attention: Ryan C. Jacobs and John R. Sandrelli

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

Akin Gump Strauss Hauer & Feld LLP

One Bryant Park

New York, NY 10036

Attention: Michael S. Stamer and Stephen B. Kuhn

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

(f) To the Trustee at:

Wilmington Trust, National Association

Rodney Square North

1100 North Market Street

Wilmington, Delaware 19890-2301

Kelley Drye & Warren LLP

101 Park Avenue

New York, NY 10178

Attention: Benjamin D. Feder and Pamela Bruzzese-Szczygiel

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

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

50795275.1

442

This is Exhibit "M" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 15th day of June 20 12

[Signature]
A Commissioner for taking Affidavits
within British Columbia

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

AMENDED AND RESTATED 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"

Amended as at May 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, the Stalking Horse Reimbursement 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 January 17, 2012, 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 22, 2012, as amended or varied by further Order, approving and directing the establishment of a procedure for filing Proofs of Claim and resolving Disputed Claims;

"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;

“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 or varied by further Order;

“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;

“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 11:59 p.m. on the Effective Date;

“Electing 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 6.8 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 6.7 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 Election” means an election by an Unsecured Creditor who is not a Cash Election Creditor made on or before the Equity Election Deadline to receive such Creditor’s pro rata share (calculated by reference to the aggregate amount of all Allowed Unsecured Claims after all Disputed Claims have been (a) Allowed or (b) determined by Final Order in accordance with the Claims Procedure Order) of 600,000 New Common Shares;

“Equity Election Creditors” means those Unsecured Creditors who have made a valid Equity Election;

“Equity Election Deadline” means 5:00 p.m. (prevailing Pacific time) on the date that is 21 days after the date of the Sanction Order;

“Equity Election Form” means the form by which an Unsecured Creditor who is not a Cash Election Creditor may make an Equity Election;

“Equity Election Package” means a package in form and substance acceptable to the Majority Initial Supporting Noteholders and reasonably satisfactory to the Initial Supporting Unsecured Noteholders, containing (a) an Equity Election Form and (b) instructions for completion of such Equity Election Form;

“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 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 Creditors” means, collectively, (i) Convenience Creditors who have not made a valid Equity 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 Proceeds Creditors” means General Unsecured Creditors who are not Convenience Creditors and have not made a valid Cash Election and, for avoidance of doubt, includes General Unsecured Proceeds Creditors who make a valid Equity Election;

“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 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 May 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 22, 2012, as amended or varied by further Order, 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 Notes" means the secured, first lien notes due November 1, 2017, to be issued on the Effective Date pursuant to the New First Lien Notes Indenture and Section 6.2 hereof, in the aggregate principal amount of \$250 million, with 11% interest due semi-annually in arrears in cash *or* 7.5% payable semi-annually in cash *plus* 5.5% payable semi-annually in kind;

"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 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 members of the Pulp, Paper and Woodworkers Union of Canada (“PPWC”) and the Communications, Energy and Paperworkers Union of Canada (“CEP”), effective from May 1, 2012, through May 1, 2017;

“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;

“PIK Notes” means the notes issued as interest payable in kind in relation to the New First Lien Notes;

“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 Securities” means the New Common Shares, the New First Lien Notes, and any Exchange Warrants, to be issued pursuant to Section 6.2 hereof and distributed pursuant to Section 6.6 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 the 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;

“**PREI**” means, collectively, all of Catalyst’s right, title and interest in Powell River Energy Inc. and the Powell River Energy Limited Partnership (“**PRELP**”) including:

- a. 50,001 common shares in Powell River Energy Inc.;
- b. long term debt of \$20.8 million owing by Powell River Energy Inc. to Catalyst Paper Energy Holdings Inc. (“**CPEHI**”), maturing December 21, 2021 under subordinated promissory notes issued by Powell River Energy Inc. and any other indebtedness owing to CPEHI by Powell River Energy Inc. or PRELP; and
- c. a 49.95% limited partnership interest in PRELP under a limited partnership agreement between 3795669 Canada Limited, as general partner and Pacific Paper Inc. (predecessor to CPEHI) and Powell River Energy Trust, as limited partners;

but excluding, for greater certainty, Catalyst’s interest in the power purchase agreement dated February 1, 2011, between Powell River Energy Inc. and Catalyst.

“**PREI Proceeds Pool**” means an aggregate amount equal to 50% of the net proceeds received by the Debtors on account of the sale of PREI, which shall be paid by reorganized Catalyst to the Monitor within three (3) Business Days following the closing of the sale of PREI, and which shall be distributed by the Monitor to Unsecured Creditors who are not (a) General Unsecured Cash Creditors or (b) Equity Election Creditors; *provided, however*, that no distributions shall be made from the PREI Proceeds Pool until all Disputed Claims have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order; *provided, further, however*, that the Monitor shall return to reorganized Catalyst any amounts remaining in the PREI Proceeds Pool after distribution, due to the exercise of valid Equity Elections by Equity Election Creditors;

“**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, as subsequently amended pursuant to its terms;

“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 6.13 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;

“SISP” means the sale and investor solicitation process approved by the SISP Order, as may be amended or varied by further Order;

“SISP Order” means the Order of the Court dated March 22, 2012, approving the SISP and the Stalking Horse Reimbursement Charge, as may be amended or varied by further Order in accordance with Section 6.5 hereof or otherwise;

“Stalking Horse Reimbursement Charge” means the charge granted pursuant to paragraph 7 of the SISP Order, as more particularly set out therein, in favour of the Stalking Horse Bidder (as such term is defined in the SISP Order);

“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 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;

“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;

“U.S. Distribution Agent” means Catalyst Paper Holdings Inc., as designated by the Debtors to receive delivery of the New Common Shares intended for distribution to those General Unsecured Creditors located in the United States who have made a valid Equity Election and to distribute the New Common Shares to such eligible General Unsecured Creditors; and

“Voting Classes” means the Unsecured Claims Class and the First Lien Notes Claims Class.

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 or benefit in effect at the Commencement Date 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 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 be entitled to receive its pro rata share of:
 - 1) the New First Lien Notes in the aggregate principal amount of \$182,000,000, and
 - 2) 10,502,352 New Common Shares (which shall equal 72.933% of the New Common Shares, subject to dilution only from the issuance of New Common Shares in connection with the exercise by Unsecured Creditors of valid Equity Elections and any Management Incentive Plan); and
 - ii. each Class B Noteholder as of the Effective Date shall be entitled to receive its pro rata share of:
 - 1) the New First Lien Notes in the aggregate principal amount of \$68,000,000, and

- 2) 3,897,648 New Common Shares (which shall equal 27.067% of the New Common Shares, subject to dilution only from the issuance of New Common Shares in connection with the exercise by Unsecured Creditors of valid Equity Elections and any Management Incentive Plan).

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 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 be entitled to receive its pro rata share (calculated by reference to the aggregate amount of all Allowed Unsecured Claims after all Disputed Claims have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order) of the PREI Proceeds Pool; *provided, however*, that each Equity Election Creditor, if any, shall, on or as soon as reasonably practicable after the Effective Date, in full and final satisfaction of and in exchange for all such holder's Allowed Unsecured Notes Claims, receive its pro rata share (calculated by reference to the aggregate amount of all Allowed Unsecured Claims after all Disputed Claims have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order) of 600,000 New Common Shares.

General Unsecured Claims

- a. In full and final satisfaction of and in exchange for all Allowed General Unsecured Claims, each holder of an Allowed General Unsecured Claim shall be entitled to receive:
 - i. if such holder is a General Unsecured Proceeds Creditor who is not an Equity Election Creditor, its pro rata share (calculated by reference to the aggregate amount of all Allowed Unsecured Claims after all Disputed Claims have been (1) Allowed or (2) determined by Final Order in accordance with the Claims Procedure Order) of the PREI Proceeds Pool;
 - ii. if such holder is an Equity Election Creditor, its pro rata share (calculated by reference to the aggregate amount of all Allowed Unsecured Claims after all Disputed Claims have been (1) Allowed or (2) determined by Final Order in accordance with the Claims Procedure Order) of 600,000 New Common Shares; or

iii. 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 Allowed Unsecured Claims after all Disputed Claims have been (x) Allowed or (y) determined by Final Order in accordance with the Claims Procedure Order) of the PREI Proceeds Pool.

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 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. Also for greater certainty, (a) any Convenience Share Election (as such term is defined in the Plan of Compromise and Arrangement of Catalyst dated March 15, 2012) made by a Convenience Creditor prior to the date hereof in accordance with the Meetings Order shall be of no further force and effect and such Convenience Creditor shall be entitled (i) to the distribution provided hereunder applicable to a Convenience Creditor and (ii) to make an Equity Election in accordance with the terms hereof, and (b) any Cash Election made by a General Unsecured Creditor prior to the date hereof in accordance with the Meetings Order shall be in full force and effect, *provided, however*, that each Cash Election Creditor shall be entitled (i) to revoke such Cash Election and receive the distribution provided to General Unsecured Proceeds Creditors and/or (ii) to make an Equity Election, each in accordance with the terms hereof.

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 until and to the extent that such Claim becomes an Allowed Claim. A Disputed Claim shall be referred for resolution in the manner set out in the Claims Procedure Order. Subject to Section 6.6(4), no distributions shall be paid to Unsecured Creditors until all Disputed Claims are finally (a) Allowed or (b) determined by Final Order 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 6.6 hereof; *provided, further, however*, that the Allowed Claims shall be released and discharged as follows: (a) at the Effective Time for (i) the Unsecured Claims, and (ii) the First Lien Note Claims on a pro-rata basis to the extent that the amount of the First Lien Note Claims exceeds the aggregate of the fair market value of the New Common Shares to be issued and the aggregate principal amount of the New First Lien Notes; and (b) at 12:01 a.m. on the Business Day next following the Effective Time (i) the First Lien Note Claims, on a pro-rata basis to the extent of the aggregate principal amount of the New First Lien Notes, and (ii) the First Lien Note Claims remaining outstanding after the release and discharge in clause (b)(i) shall be settled on a pro-rata basis by the issuance of the New Common Shares in accordance with Section 6.1 and Section 6.2 hereof.

Section 3.8 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, 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 May 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 May 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, 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, and Catalyst's bylaws shall have been amended by its board of Directors to provide that reorganized Catalyst will use reasonable efforts to maintain its status as a reporting issuer in one or more 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 New Labour Contracts remain effective and PPWC and CEP continue to abide by the terms thereof in all material respects and are not disputing the effectiveness thereof;
- 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 on December 31, 2013, *provided, however*, that such payment shall not be made unless and until any outstanding PIK Notes have been paid in cash in full;

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 45 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, 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. Notwithstanding the foregoing, (i) an aggregate principal amount of the First Lien Note Claims equal to the aggregate principal amount of the New First Lien Notes and the fair market value of the New Common Shares shall be cancelled and of no further force and effect, whether surrendered for cancellation or otherwise, at 12:01 a.m. on the Business Day next following the Effective Date, and (ii) the Equity Interests shall be cancelled and be of no further force and effect immediately prior to the issuance of the New Common Shares pursuant to Section 6.2(2) hereof.

Section 6.2 Issuance of Plan Securities

1. New First Lien Notes

At 12:01 a.m. on the Business Day next following the Effective Date, the New First Lien Notes shall be issued pursuant to the New First Lien Notes Indenture.

2. New Common Shares

At 12:01 a.m. on the Business Day next following the Effective Date, reorganized Catalyst shall issue 14,400,000 New Common Shares to the First Lien Noteholders and shall on such date or as soon as practicable thereafter issue such additional New Common Shares as are required to be delivered to Equity Election Creditors in accordance with the terms hereof.

It is contemplated that reorganized Catalyst shall be a reporting issuer in certain provinces in Canada and, on or as soon as reasonably practicable after the Effective Date, reorganized Catalyst shall use commercially reasonable efforts to cause the New Common Shares to be approved for listing by the TSX or other securities exchange acceptable to the Majority Initial Supporting Noteholders, in consultation with the Initial Supporting Unsecured Noteholders, subject to standard listing conditions; *provided, however*, that under no circumstances shall reorganized Catalyst be required to undertake a public offering to satisfy the standard listing conditions if such listing conditions are not otherwise met.

Section 6.3 Equity Election

On or before seven (7) days after the date of the Sanction Order, the Monitor shall distribute to all Unsecured Creditors who are not Cash Election Creditors, in accordance with the solicitation procedures set forth in the Meetings Order, an Equity Election Package.

To make a valid Equity Election, on or before the Equity Election Deadline:

- a. General Unsecured Creditors who are not Cash Election Creditors must return a completed Equity Election Form to the Monitor; and
- b. Unsecured Noteholders must return a completed Equity Election Form to such holder's Solicitation Agent (as such term is defined in the Meetings Order).

Section 6.4 Sale of PREI in Accordance with the SISP

As soon as reasonably practicable following the Effective Date, in accordance with the SISP, as such shall be amended in accordance with Section 6.5 hereof, the reorganized Debtors shall use commercially reasonable efforts to market and sell PREI in accordance with the SISP, in order to effect the distribution of the PREI Proceeds Pool.

Section 6.5 Amendment of the SISP Order

As soon as reasonably practicable following the date of the Sanction Order, the reorganized Debtors shall obtain those amendments to the SISP Order and the SISP as may be

required to effect the sale of PREI as contemplated herein. For greater certainty, it is not contemplated that there will be a Stalking Horse Bid (as such term is defined in the SISP Order) in respect of PREI.

Section 6.6 Delivery and Allocation Procedures

1. Delivery and Allocation of Plan Securities to First Lien Noteholders

Delivery of certificates representing the Plan Securities to which the First Lien Noteholders are entitled under the Plan shall be made on or before the third (3rd) Business Day following the Effective Date.

The First Lien Notes are held by DTC. To the extent any or all of the Plan Securities are eligible to be distributed through DTC, the delivery of interests in Plan Securities to First Lien Noteholders 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 pursuant to standing instructions and customary practices. To the extent any or all of the Plan Securities are not eligible to be distributed through DTC, delivery shall be made by distributing physical certificates to First Lien Noteholders through the facilities of DTC or the First Lien Notes Indenture Trustee, as applicable. 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.

2. Delivery and Allocation of New Common Shares to Equity Election Creditors

On or as soon as reasonably practicable after the later of (a) the Effective Date and (b) the Business Day following the date all Disputed Claims have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order, delivery of each Equity Election Creditor's pro rata share (calculated by reference to Section 3.2) of 600,000 New Common Shares shall be made.

Delivery to Unsecured Noteholders

The Unsecured Notes are held by DTC. To the extent the New Common Shares are eligible to be distributed through DTC, the delivery of interests in New Common Shares to Unsecured Noteholders who have made a valid Equity Election will be made through the facilities of DTC to DTC participants, who, in turn will make delivery of interests in such New Common Shares to the beneficial holders of such Unsecured Notes entitled thereto pursuant to standing instructions and customary practices. To the extent the New Common Shares are not eligible to be distributed through DTC, delivery shall be made by distributing physical certificates to Unsecured Noteholders through the facilities of DTC or the Unsecured Notes Indenture Trustee, as applicable. 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.

Delivery to General Unsecured Creditors Outside the United States

Delivery of New Common Shares to General Unsecured Creditors located outside the United States who have made a valid Equity Election 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 Equity Election Form, Claims Amount Notice (as such term is defined in the Claims Procedure Order) or Proof of Claim.

Delivery to U.S. Distribution Agent and Process for Distribution to General Unsecured Creditors In the United States

The Debtors have designated a U.S. Distribution Agent for the purpose of distributing New Common Shares to those General Unsecured Creditors located in the United States who have made a valid Equity Election. The Debtors shall seek an Order from the U.S. Court in the Chapter 15 Proceedings with respect to the fairness of the transaction and otherwise approving the sale by the U.S. Distribution Agent on behalf of the Debtors to those eligible General Unsecured Creditors located in the United States of sufficient New Common Shares to match the number of New Common Shares that such eligible General Unsecured Creditors would have received, had such eligible General Unsecured Creditors been located outside of the United States. The sale of New Common Shares shall be in full and final satisfaction of and in exchange for all Allowed General Unsecured Claims held by those General Unsecured Creditors located in the United States who have made a valid Equity Election.

On or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the Business Day following the date all Disputed Claims have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order, and (c) the Business Day following the date of the Order from the U.S. Court becoming a Final Order, the Debtors shall deliver the New Common Shares to the U.S. Distribution Agent by delivering the physical certificates for the New Common Shares to the U.S. Distribution Agent.

The U.S. Distribution Agent shall distribute the New Common Shares consistent with the Order from the U.S. Court to those General Unsecured Creditors located in the United States who have made a valid Equity Election by mailing physical certificates to such General Unsecured Creditors by pre-paid ordinary mail to the address specified in such Creditor's Equity Election Form, Claims Amount Notice (as such term is defined in the Claims Procedure Order) or Proof of Claim.

3. Delivery of PREI Proceeds Pool to Unsecured Creditors Who Are Not Equity Election Creditors

On or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the Business Day following the date all Disputed Claims have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order and (c) the Business Day following the closing of the sale of PREI, the Monitor shall distribute to each Affected Unsecured Creditor with an Allowed Unsecured Claim who has not made a valid Equity Election, such Creditor's pro rata share (calculated by reference to Section 3.2) of the PREI Proceeds Pool.

Delivery of cash to each Affected Unsecured Creditor with an Allowed Unsecured Claim who has not made a valid Equity Election will be made by way of cheque sent 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, or, if such Unsecured Creditor is an Unsecured Noteholder, to the DTC participant holding such Creditor's Unsecured Notes as at the Effective Time.

To the extent any part of the PREI Proceeds Pool remains after distribution to Affected Unsecured Creditors in accordance with the terms hereof, the Monitor shall return such cash to reorganized Catalyst.

4. Delivery of Convenience Cash Amounts to General Unsecured Cash Creditors

On or as soon as reasonably practicable after the later of (a) the Effective Date and (b) the Business Day following the date all Disputed Claims of General Unsecured Cash Creditors have been (i) Allowed or (ii) determined by Final Order in accordance with the Claims Procedure Order, 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 aggregate amount of all Convenience Cash Amounts exceeds the Maximum Convenience Claims Pool) by way of cheque sent 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.

Section 6.7 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 6.8 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 6.9 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 6.10 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 6.11 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 6.12 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 6.13 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 6.13 include (a) Akin Gump Strauss Hauer & Feld LLP, (b) Fraser Milner Casgrain LLP, (c) Morris, Nichols, Arsht & 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 May, 2012.

FLETCHER CHALLENGE CANADA



Your Personal Pension Statement 1992

**Especially prepared for:
MR WILLIAM A. SHARKEY**

This is Exhibit "N" referred to in the
affidavit of William A. Sharkey
sworn before me at Vancouver
this 1st day of June 20 12

André G. G.

A Commissioner for taking Affidavits
within British Columbia

A Note from the President...

Dear Employee:

Planning for our future is important to all of us -- and nowhere more so than in being sure we have adequate income in our retirement years.

For many of us a major portion of our retirement income will come from the pension provided by Fletcher Challenge. You have told us that you require more information on the value of the pension entitlement you have earned to date.

This personalized booklet shows your present and projected estimated pension entitlement. I hope it will both serve as a record of your pension benefits and help you in your personal financial planning.

Yours truly,



D.W.G. Whitehead

FLETCHER CHALLENGE CANADA LIMITED

RETIREMENT PLAN FOR SALARIED EMPLOYEES

REGISTRATION NO. 21207

About this statement

This annual pension statement contains information about the benefits provided by the Fletcher Challenge Canada Limited Retirement Plan for Salaried Employees. The purpose of the statement is to describe your personal entitlement under the Plan.

We advise you to read the statement carefully and store it in a safe place. As you approach your retirement, your statements will provide you with a useful tool in planning for your retirement.

SUMMARY OF PERSONAL INFORMATION

Social Insurance Number:	404-889-610
Personnel Number:	4732
Sex:	Male
Date of Birth:	September 15, 1937
Date of Hire:	April 17, 1964
Pension Entry Date (see note):	April 17, 1964
Credited Service accrued to December 31, 1992:	28.7096
Name of Spouse:	MARILYN MAE SHARKEY
Name of Beneficiary:	MARILYN MAE SHARKEY

Especially prepared for:

MR WILLIAM A. SHARKEY

Note:

Your Pension Entry Date may differ from your Date of Hire; for example:

- Hired Part Time, transferred to Full Time

YOUR PENSION PLAN BENEFITS

Your Normal Retirement Date:

Your Early Retirement Date:

Years of Credited Service at December 31, 1992:

October 1, 2002
October 1, 1992

28.7096

PENSION ACCRUED

Company provided accrued monthly pension earned to December 31, 1992, payable at age 65:

4120.35

PROJECTED RETIREMENT PENSION AT AGE 65

1) Company provided pension based on your CURRENT earnings and total years of service from plan entry to age 65:

5519.36

2) Current Canada Pension Plan maximum pension:

667.36

3) Current Old Age Security maximum pension:

384.66

Estimated monthly income at age 65:

6571.38

The pension amount shown does not include your pension earned under the Supplemental Pension Plan for Senior Executives.

The normal form of payment for the Company pension is a retirement income payable to you for your lifetime and guaranteed for five years. This means that, should you die after you begin your pension but before you have received 60 payments, the balance of the 60 payments will be paid to your beneficiary.

The Pension Benefits Standards Act requires that if you have a spouse at the time of your retirement, your pension must be paid in the form of a Joint and Survivor Benefit with 60% continuing to your spouse. This means that your pension is payable for your lifetime and should you predecease your spouse, payments will continue for the lifetime of your spouse at 60% of the amount you were receiving. This Joint and Survivor Benefit is the actuarial equivalent of the benefit payable under the above normal form of payment. You may elect to receive your pension in an approved alternate form. Should the alternate form you choose be other than a Joint and Survivor pension, your spouse will be required to complete a Waiver Form which is available from the Plan Administrator.

Information about these and other optional forms in which your pension is available will be presented to you prior to your retirement.

PENSION BENEFIT

Your pension is calculated with a formula that uses -

- your Final Average Earnings (FAE), which is the average of your highest annual earnings during 60 consecutive months within the last 120 months of your continuous service;
- the Average of the Year's Maximum Pensionable Earnings (AYMPE) for the same years as were used in calculating the FAE. The AYMPE is the average earnings used for the Canada/Quebec Pension Plan. At the end of 1992 the AYMPE was \$29,160;
- your Credited Service.

THE FORMULA

The formula used to calculate your accrued monthly pension is as follows:

For service after January 1, 1989:

1.3% of your FAE up to the AYMPE
plus
2% of your FAE in excess of the AYMPE
multiplied by
your years of Credited Service after January 1, 1989

For pre-1989 service with Crown Forest:

1% of your FAE up to the AYMPE
plus
1.75% of your FAE in excess of the AYMPE
multiplied by
your years of Credited Service prior to January 1, 1989

MINIMUM BENEFITS

The minimum benefit payable at normal retirement age for each year of service recognized under this plan is \$35.00 per month and increasing to \$40.00 per month effective January 1, 1993.

PENSION OFFSET

This pension will be reduced by the amount you may have accrued under any other pension plan to which Fletcher Challenge Canada Limited or a predecessor company has contributed to for the same period of service.

EARLY RETIREMENT BENEFITS

If you are an active employee and accruing continuous service you may retire anytime between ages 55 and 65. If you retire at age 60 or later, no reduction is applied to your pension benefit.

If you retire prior to age 60, but after age 55, your pension will be reduced by 0.25% for each month that your Early Retirement Date precedes your 60th birthday.

Note: If you leave the employ of Fletcher Challenge Canada Limited, these early retirement factors do not apply. If you are vested, you will be entitled to a Deferred Vested Pension payable at age 65. You may elect to commence your pension anytime after age 55. The amount of pension you receive will be reduced to have the same value as the pension payable at age 65.

VESTING OF BENEFITS

Vesting is the undeniable right to pension benefits you have earned, regardless of whether you continue working for the Company.

You become vested under the Fletcher Challenge Retirement Plan once you have completed two years of continuous service.

TERMINATION BENEFITS

If your employment ceases prior to age 55 and you are not vested, no benefit will be payable under the Plan.

If you are under age 55 and vested in your benefits, you will be entitled to a Deferred Vested Pension payable at age 65.

There are two optional ways of receiving this benefit.

Option 1. You may elect to receive your termination benefits in the form of a Deferred Vested Pension. The amount of your Deferred Vested Pension is payable in full at age 65. You may choose to receive this pension as early as age 55, in which event you will receive the actuarial equivalent of your pension payable at age 65.

Option 2. You may choose to receive the commuted value of your vested benefits in one of the following forms:

- transfer your benefit to another registered plan, if that plan accepts transfers;
- transfer your benefit into a locked-in RRSP;
- purchase an immediate or deferred life annuity.

The commuted value is the present day lump sum value of your deferred pension payable at age 65.

PRE-RETIREMENT DEATH BENEFITS

Before age 55:

Your spouse, or if there is no spouse, your beneficiary, will be entitled to receive a lump sum payment equal to the commuted value of your earned pension. (See "Termination Benefits" for a description of a commuted value.)

Your spouse is permitted to transfer the death benefit to either a locked-in Registered Retirement Savings Plan (RRSP) or another registered pension plan if that plan permits, or may use the lump sum to purchase an immediate or deferred life annuity.

Any amount payable to a beneficiary who is not your spouse will be paid in a lump sum directly to your beneficiary.

After age 55:

Your spouse will be entitled to receive an annual lifetime pension equal to 60% of the retirement income which you had earned at your date of death based on your service and salary history.

If there is no surviving spouse at your date of death, the commuted value of your earned pension will be paid directly to your beneficiary.

DISABILITY BENEFITS

In the event you become entitled to disability benefits, you will continue to accrue credited service based on your base salary during the month immediately preceding your disability. This accrual will cease on the earlier of the date you are no longer disabled, the date you retire or your 65th birthday.

ABOUT ACCURACY

Every effort has been made to ensure that this statement contains accurate information, however, inaccuracies may occur. The benefits described in this statement will be determined in accordance with the specific Plan provisions at the time the benefits become payable. In the event of a conflict or omission, the legal Plan documents will govern in all cases.

ANNUAL FINANCIAL STATEMENT

INTRODUCTION

This 1992 Annual Financial Statement is being sent to the members of the Fletcher Challenge Canada Limited Retirement Plans For Salaried Employees to inform pension plan members of the financial status of their pension plans, and to fulfill statutory disclosure requirements. These requirements have been supplemented to give employees a broader view of funding obligations, investment performance and benefit payments.

Pensions paid from the Company pension plans during 1992 amounted to \$13,770,000. At year-end a total of 1085 retirees and surviving spouses were receiving pensions from the combined fund and approximately 334 additional former British Columbia Forest Products employees were receiving pensions from Standard Life Assurance Company as a result of the purchase of annuities at the time of their retirement.

Lump sum commuted values totalling \$4,291,000 were paid out during the year to terminating employees through the portability clauses contained in the Company's pension plans.

An actuarial valuation of the plans is conducted at December 31st of each year to compare the plan assets with the plan liabilities for service by members up to the valuation date, and to determine the value of benefits being accrued by members as a result of their current service. Present valuations have revealed that the Company plans are currently fully funded, which means that the assets accumulated to date exceed the value of benefits earned for service to date.

During 1992, Fletcher Challenge made no contributions to the salaried pension plans, as the current service contribution requirement was met by the application of a portion of the actuarial surplus which existed at the time of the previous valuation.

During 1992, the rate of return on investments of the pension fund was 8%, which was in the top 22% of similarly managed Canadian pension funds reported by SEI Pension Funds Evaluation Services. This compares with rates of return of 17.1% in 1991 and a loss of 0.5% in

1990. The compound average annual rate of investment return over the last ten years has been 12.5%, which places the fund's long-term performance in the top 21% of similarly managed Canadian pension funds measured by SEI.

PENSION FUND OBJECTIVES

The purpose of establishing the pension fund is to provide a secure source of retirement income for Fletcher Challenge salaried employees and retirees.

The establishment of the pension trust fund separates the fund assets (the assets of the various pension plans) from the general assets of Fletcher Challenge Canada Limited. To the extent that the pension plans are funded, plan members can be assured that their pensions are secure, and that the assets of the pension fund will be available to provide the plan benefits regardless of the future operating results of the Company.

TRUST STRUCTURE

The pension fund assets are held by a custodian, currently Canada Trust. There is a trust agreement in place with respect to the assets of each of the various Company pension plans. There is also an overall master trust arrangement through which the assets of all Company plans are commingled for investment purposes. In this way, the assets of the smaller Company plans achieve the same rate of investment return as do the assets of the larger Company plans.

INVESTMENT MANAGERS

The plans' assets are currently managed by four outside investment managers. These managers and the approximate proportion of the assets which they manage are as follows:

<u>Investment Managers</u>	
Scapre Investment Counsel	35%
Phillips, Hager & North	35%
AMI Partners Incorporated	20%
M.K. Wong Associates	10%

In order to meet the Fund's investment return objectives and to maintain its capital value, the assets are invested in a broad spectrum of financial instruments. The investment risk is reduced through the use of a diversified portfolio consisting of the following major asset classes: equities, fixed income securities, real estate and short-term instruments. The Fund must also maintain sufficient liquidity to meet benefit payments and administrative expenses in a timely fashion.

The distribution of the assets amongst the various asset classes is shown in the following table:

Asset Mix	
Cash and Short term	2%
Fixed Income	49%
Domestic Equities	31%
Foreign Equities	17%
Real Estate	1%

The major assumptions underlying the asset mix policy are that over the long-term, there will be a higher return for accepting greater risk and that prudent diversification among asset classes will provide an optimal balance of risk and return.

Generally, equities are expected to show greater risk both in volatility and in the possibility of loss of capital, but are also expected to generate greater long-term returns than other asset classes. Fixed income instruments provide greater security of capital at a lower level of return. Real estate assets are expected to be a hedge against inflation and to provide an additional element of diversification. Short-term paper offers minimal risk and provides the Fund with necessary liquidity.

Assets of the fund are invested in accordance with applicable laws. Legislation regulates many aspects of the operations of pension plans and the investment of the Company's plans complies with all aspects of the regulations.

SUMMARY OF FUNDING VALUATION RESULTS as at December 31, 1992

	Salaried Plan for B.C. Employees	Salaried* PBL Plan	Total
	\$	\$	\$
(All amounts shown in thousands of dollars.)			
Actuarial value of assets	274,985	25,367	300,352
Actuarial liability			
- active members	86,905	1,826	88,731
- inactive members	148,874	18,073	166,947
- Total	235,779	19,899	255,678
Actuarial surplus	39,206	5,468	44,674

Notes:

1. The Salaried Plan for B.C. Employees provides benefits to current and former salaried employees who were employed in British Columbia. The Salaried PBL Plan provides benefits to current and former salaried employees who were employed in the other provinces of Canada, or in areas of federal jurisdiction such as operating an aircraft or shipping and navigation.
2. The actuarial liabilities are determined by an independent actuary, Towers Perrin, and are based on actuarial assumptions. These assumptions are the actuary's estimates of the future level of investment returns and salary increases, as well as other factors such as retirement age patterns, employee turnover and life expectancy. Experience will never precisely match these assumptions. If, for instance, retirees as a group live longer than expected, liabilities would ultimately prove to be larger than expected. If experience results in assets being larger than required the excess is called an actuarial surplus.
3. Over the lifetime of the plans, the actuarial assumptions may be changed to reflect the expected changes in the experience of the plans.

MEMBERSHIP DATA HIGHLIGHTS

Active Members

Salaried Plan for B.C. Employees		Salaried PBL Plan	
1992	1991	1992	1991

Active and disabled members

Number	1,119	1,809	16	246
Payroll	\$68,606,347	\$102,945,593	\$988,590	\$10,059,985
Average salary	\$61,310	\$56,907	\$61,787	\$40,894
Average age	43.5	43.2	48.0	39.3
Average service	15.1	15.2	15.0	10.9

Inactive Members

Salaried Plan for B.C. Employees		Salaried PBL Plan	
1992	1991	1992	1991

Retired members and beneficiaries

Number	887	824	189	173
Total annual pension	\$12,975,838	\$11,585,728	\$1,635,172	\$1,336,734
Average annual pension	\$14,629	\$14,060	\$8,652	\$7,727
Average age	69.3	69.4	69.1	69.8

Terminated vested members

Number	717	709	313	303
Total annual pension	\$2,568,229	\$2,375,391	\$711,538	\$609,164
Average annual pension	\$3,582	\$3,352	\$2,273	\$2,010
Average age	44.9	44.1	44.7	44.3

YOUR FINANCIAL PLAN

It is very important that you have a record of the private arrangements that you have made to provide for yourself and your family in the future. With this in mind, we have drawn up the following form to help you consider and record the essential details of your personal financial plans.

IMPORTANT ACTIONS FOR YOU TO TAKE NOW

- Review your will and/or trust instrument at least once a year for:
 - changes in beneficiaries resulting from births, deaths, marriages, etc.
 - changes in circumstances resulting from maturity of children, illness, significant changes in assets, etc.
 - changes in federal or provincial tax, probate or property law which may affect your will.
 - changes that may be desirable in executors, trustees and guardians for children.
- Review your insurance program to see if it meets your present needs and to ensure that the beneficiary designations, including those for Company life insurance plans, are up to date.

- List below the locations of your important papers, etc.

a) My will is located at:

b) I maintain bank accounts as follows:

Bank	Type of Account	Account No.
Bank	Type of Account	Account No.
Bank	Type of Account	Account No.

c) My bank books are located at:

d) My insurance policies are located at:

e) My safety deposit box is located at:

The key for it is located at:

6. My other important papers (tax returns, share certificates, mortgages, etc.) are located at:

4. Important people to contact in the event of my death:

My executor is

[illegible]

Address Telephone

Telephone

My lawyer is _____

Name	Address	Telephone
Mr. J. H. Smith	123 Main St.	555-1234
Mrs. A. B. Jones	456 Oak Ave.	555-5678
Dr. C. D. Brown	789 Elm St.	555-9012
Mr. E. F. Green	101 Pine Rd.	555-3456
Mrs. G. H. White	202 Maple Dr.	555-7890
Mr. I. J. Black	303 Cedar Ln.	555-2345
Mrs. K. L. Gray	404 Birch Way	555-6789
Mr. M. N. Blue	505 Spruce Ct.	555-0123
Mrs. O. P. Red	606 Willow Pl.	555-4567
Mr. Q. R. Yellow	707 Ash St.	555-8901
Mrs. S. T. Purple	808 Hickory Dr.	555-2345
Mr. U. V. Orange	909 Walnut Ave.	555-6789
Mrs. W. X. Silver	1010 Chestnut St.	555-0123
Mr. Y. Z. Gold	1111 Poplar Ln.	555-4567
Mrs. A. B. Bronze	1212 Sycamore Way	555-8901
Mr. C. D. Iron	1313 Magnolia Ct.	555-2345
Mrs. E. F. Steel	1414 Dogwood Pl.	555-6789
Mr. G. H. Copper	1515 Rosemary Dr.	555-0123
Mrs. I. J. Nickel	1616 Lavender St.	555-4567
Mr. K. L. Zinc	1717 Marigold Ave.	555-8901
Mrs. M. N. Lead	1818 Sunflower Rd.	555-2345
Mr. O. P. Tin	1919 Cornflower Way	555-6789
Mrs. Q. R. Aluminum	2020 Aster Ct.	555-0123
Mr. S. T. Platinum	2121 Iris Pl.	555-4567
Mrs. U. V. Palladium	2222 Hyacinth Dr.	555-8901
Mr. W. X. Rhodium	2323 Tulip St.	555-2345
Mrs. Y. Z. Silver	2424 Daffodil Ave.	555-6789
Mr. A. B. Gold	2525 Pansy Rd.	555-0123
Mrs. C. D. Bronze	2626 Violet Way	555-4567
Mr. E. F. Iron	2727 Petunia Ct.	555-8901
Mrs. G. H. Steel	2828 Zinnia Pl.	555-2345
Mr. I. J. Copper	2929 Begonia Dr.	555-6789
Mrs. K. L. Nickel	3030 Camellia St.	555-0123
Mr. M. N. Zinc	3131 Hibiscus Ave.	555-4567
Mrs. O. P. Lead	3232 Geranium Rd.	555-8901
Mr. Q. R. Tin	3333 Fuchsia Way	555-2345
Mrs. S. T. Aluminum	3434 Impatiens Ct.	555-6789
Mr. U. V. Platinum	3535 Gladiolus Pl.	555-0123
Mrs. W. X. Palladium	3636 Anemone Dr.	555-4567
Mr. Y. Z. Rhodium	3737 Narcissus St.	555-8901
Mrs. A. B. Silver	3838 Ranunculus Ave.	555-2345
Mr. C. D. Gold	3939 Delphinium Rd.	555-6789
Mrs. E. F. Bronze	4040 Foxglove Way	555-0123
Mr. G. H. Iron	4141 Primrose Ct.	555-4567
Mrs. I. J. Steel	4242 Poppy Pl.	555-8901
Mr. K. L. Copper	4343 Buttercup Dr.	555-2345
Mrs. M. N. Nickel	4444 Marigold St.	555-6789
Mr. O. P. Zinc	4545 Sunflower Ave.	555-0123
Mrs. Q. R. Lead	4646 Zinnia Rd.	555-4567
Mr. S. T. Tin	4747 Pansy Way	555-8901
Mrs. U. V. Aluminum	4848 Daffodil Ct.	555-2345
Mr. W. X. Platinum	4949 Tulip Pl.	555-6789
Mrs. Y. Z. Palladium	5050 Hyacinth Dr.	555-0123
Mr. A. B. Rhodium	5151 Iris St.	555-4567
Mrs. C. D. Silver	5252 Anemone Ave.	555-8901
Mr. E. F. Gold	5353 Ranunculus Rd.	555-2345
Mrs. G. H. Bronze	5454 Delphinium Way	555-6789
Mr. I. J. Iron	5555 Foxglove Ct.	555-0123
Mrs. K. L. Steel	5656 Primrose Pl.	555-4567
Mr. M. N. Copper	5757 Poppy Dr.	555-8901
Mrs. O. P. Nickel	5858 Buttercup St.	555-2345
Mr. Q. R. Zinc	5959 Marigold Ave.	555-6789
Mrs. S. T. Lead	6060 Sunflower Rd.	555-0123
Mr. U. V. Tin	6161 Zinnia Way	555-4567
Mrs. W. X. Aluminum	6262 Pansy Ct.	555-8901
Mr. Y. Z. Platinum	6363 Daffodil Pl.	555-2345
Mrs. A. B. Palladium	6464 Tulip Dr.	555-6789
Mr. C. D. Rhodium	6565 Hyacinth St.	555-0123
Mrs. E. F. Silver	6666 Iris Ave.	555-4567
Mr. G. H. Gold	6767 Anemone Rd.	555-8901
Mrs. I. J. Bronze	6868 Ranunculus Way	555-2345
Mr. K. L. Iron	6969 Delphinium Ct.	555-6789
Mrs. M. N. Steel	7070 Foxglove Pl.	555-0123
Mr. O. P. Copper	7171 Primrose Dr.	555-4567
Mrs. Q. R. Nickel	7272 Poppy St.	555-8901
Mr. S. T. Zinc	7373 Buttercup Ave.	555-2345
Mrs. U. V. Lead	7474 Marigold Rd.	555-6789
Mr. W. X. Tin	7575 Sunflower Way	555-0123
Mrs. Y. Z. Aluminum	7676 Zinnia Ct.	555-4567
Mr. A. B. Platinum	7777 Pansy Pl.	555-8901
Mrs. C. D. Palladium	7878 Daffodil Dr.	555-2345
Mr. E. F. Rhodium	7979 Tulip St.	555-6789
Mrs. G. H. Silver	8080 Hyacinth Ave.	555-0123
Mr. I. J. Gold	8181 Iris Rd.	555-4567
Mrs. K. L. Bronze	8282 Anemone Way	555-8901
Mr. M. N. Iron	8383 Ranunculus Ct.	555-2345
Mrs. O. P. Steel	8484 Delphinium Pl.	555-6789
Mr. Q. R. Copper	8585 Foxglove Dr.	555-0123
Mrs. S. T. Nickel	8686 Primrose St.	555-4567
Mr. U. V. Zinc	8787 Poppy Ave.	555-8901
Mrs. W. X. Lead	8888 Buttercup Rd.	555-2345
Mr. Y. Z. Tin	8989 Marigold Way	555-6789
Mrs. A. B. Aluminum	9090 Sunflower Ct.	555-0123
Mr. C. D. Platinum	9191 Zinnia Pl.	

Address **Telephone**

Telephone

My insurance agent is

[illegible]

Address Telephone

Telephone

How to Update Your Personal Information...

Please identify only the information that requires changes or correction, and indicate how it should appear on the above form. Sign and date the face of the form and return via internal mail to: HUMAN RESOURCES, HEAD OFFICE.

FOLD AND TEAR ON PERFORATION TO REMOVE.