

Catalyst Paper Standard Terms and Conditions

The following Terms, Conditions and Instructions (the "Terms and Conditions") form a part of any Purchase Order(s) (the "Order(s)") issued by Catalyst Paper, Catalyst Paper Corporation, Catalyst Pulp Operations Limited and any related entity (in any case and as applicable, referred to as "the Purchaser"), whether attached to an Order or used in conjunction with an electronically transmitted Order. The Purchaser and the Vendor agree that a Purchase Order may be issued by the Purchaser, and accepted by the Vendor, via facsimile or electronic mail and that such Purchase Order may or may not contain the signature of an official representative of the Purchaser or the Vendor. All such Purchase Orders issued and accepted via facsimile or electronic mail shall (i) be deemed to have been signed by an authorized representative of the Purchaser and the Vendor and (ii) constitute originals and (iii) be governed exclusively by the terms set forth in the Purchase Order. The Parties agree not to contest the validity or enforceability of accepted facsimile or electronic mail Purchase Orders on the basis of their not being actually signed or not being originals.

1. **ENTIRE AGREEMENT** - This Order, including these Terms and Conditions, constitutes the entire agreement between the Vendor (as defined in this Order) and the Purchaser and supersedes all other understandings whether verbal or written.
2. **ACCEPTANCE OF TERMS AND CONDITIONS** - In the absence of any other acceptance by the Vendor of these Terms and Conditions, shipment of any goods or the commencement of any services by the Vendor under this Order shall constitute such acceptance.
3. **NOTICES** - Each notice, statement and invoice to be given pursuant to this Order shall be in writing and shall be sent by prepaid ordinary or registered mail, or by facsimile, electronic mail or courier to the address for each of the Purchaser and/or the Vendor noted on the face hereof. Notices, statements and invoices sent by mail shall be deemed to have been received five (5) days following the mailing thereof and those sent by facsimile, electronic mail or courier shall be deemed to have been received on the first business day following the day on which such was sent by facsimile, electronic mail or courier.
4. **TIME** - Time is of the essence of this Order.
5. **ASBESTOS**- No asbestos containing material may be supplied or used by the Vendor. For the purpose of these Terms and Conditions, "asbestos containing material" has the meaning attributed to that term in the Occupational Health and Safety Regulation of the *Workers Compensation Act* (British Columbia). For greater certainty, even if the goods or services is intended to replace, in whole or in part, any existing asbestos-containing items (including, without limitation, gaskets, insulation, brake linings, wall panels, or packing) non-asbestos containing material must be used by the Vendor. If it is not technically feasible to use non-asbestos containing material, or the relevant product is not available in a non-asbestos containing form, then the Vendor will notify the Purchaser and will provide all relevant information and documentation regarding the proposed asbestos-containing material. In any event, no asbestos-containing material may be brought onto the Purchaser's site without the prior written permission of the Purchaser's Representative or the Manager Purchasing/Mill Stores.
6. **NO WAIVER** - Failure of the Purchaser to insist upon strict performance of any of the terms and conditions herein shall not be deemed a waiver of any rights or remedies that the Purchaser has or shall have and shall not be deemed a waiver of any subsequent default of the terms and conditions hereof.
7. **DEFAULT BY VENDOR** - The Purchaser may, by written notice to the Vendor, cancel this Order in full or in part if the Vendor fails to:
 - a) deliver the goods and deliver the goods and/or services to be provided hereunder in the manner and in strict compliance with the schedule specified in this Order; and
 - b) the Vendor has been provided with written notice of such failure and has failed to cure such failure within a reasonable time after receipt thereof.In case of such failure by the Vendor, whether or not this Order is cancelled, the Purchaser may purchase similar goods and services elsewhere, or secure the manufacture and delivery of goods or the performance of services by contract or otherwise, and the Vendor shall be liable to the Purchaser for all direct loss and damages suffered or incurred by the Purchaser arising or resulting from the Vendor's failure. The Purchaser's remedies hereunder are not exclusive, but are in addition to any other remedies available to it.
8. **SEVERABILITY** - If any provisions of this Order are found to be unenforceable, the balance of this Order shall be interpreted and enforced as if the unenforceable provisions had never been a part of it.
9. **CONFIDENTIALITY** - The Vendor shall not use or disclose to any third person any data, designs, drawings, specifications or other information (collectively, the "Confidential Information") belonging to or supplied by or on behalf of the Purchaser, except in the performance of its obligations under this Order. Upon completion of the Vendor's obligations under this Order or upon the Purchaser's earlier request, all Confidential Information, including any copies thereof, shall be returned to the Purchaser. Where the Purchaser's Confidential Information is furnished to the Vendor's suppliers in connection with the performance of the Vendor's obligations under these Terms and Conditions, the Vendor shall insert the substance of this provision in its supply contracts and shall ensure compliance with such provision by its suppliers.
10. **GOVERNING LAWS** - The laws of British Columbia and of Canada as applicable therein, shall apply to and govern the interpretation of this Order and any legal action brought in connection with it, must be brought in British Columbia. The United Nation Convention of Contracts for the International Sale of Goods shall not apply to this Order.
11. **FORCE MAJEURE** - Except as noted in this paragraph, neither the Vendor nor the Purchaser shall incur any liability to the other by reason of failure or delay in fulfilling its obligations under this Order, where such failure or delay is due to or results from weather conditions, fire, strikes, cessation or slowdown or stoppage of labour, or other labour disturbances, sabotage, shipwreck, extraordinary breakdowns, riot, war declared or undeclared, enemy action, flood, laws, regulations, rulings or acts of any governmental body or agency, or any other cause, whether similar to the foregoing or not, beyond the reasonable control of the party affected by such cause. For greater certainty, a claim that goods supplied hereunder infringe an intellectual property right of a third party shall not be considered to be a force majeure event.
12. **INDEMNITIES** - The Vendor shall indemnify and hold harmless the Purchaser from and against all claims, damages, costs and legal actions arising directly in connection with the carrying out of the Vendor's obligations hereunder or arising as a result of the Vendor's failure to comply with these Terms and Conditions.

13. **PATENTS** - The Vendor warrants and guarantees that all goods supplied under this Order do not infringe any valid patent copyright or trademark owned by any third party and undertakes to indemnify and hold harmless the Purchaser and its successors and assigns from all costs relating to any claim for such infringement. The Purchaser shall give the Vendor reasonable notice of any such claim, and the Vendor shall, at its own expense, undertake the legal expense of any such claim. The Purchaser shall provide, at the Vendor's expense, any assistance in defending any such claim or suit as the Vendor may reasonably require. In addition, immediately upon receiving notice from the Purchaser of an infringement claim, the Vendor shall, at no expense to the Purchaser:
- procure for the Purchaser the right to continue using the goods on a permanent basis, without any restriction on the right of the Purchaser to use the goods for the purpose for which they were intended;
 - replace the goods with non-infringing goods satisfactory to the Purchaser; or
 - modify the goods in a manner satisfactory to the Purchaser so that they are non-infringing.
- For greater certainty, the Vendor shall have no liability for any infringement or alleged infringement where the goods are provided based on designs provided by the Purchaser or where the infringement arises from the use of goods in combination with the Purchaser's own process or equipment not supplied by the Vendor.
14. **WARRANTIES** - The Vendor warrants that the goods and services supplied hereunder are of the kind and quality specified in this Order, free from fault in design, workmanship and material, are new and of good merchantable quality, and shall perform in accordance with the specifications and/or drawings contained in this Order.
- No payment or acceptance by the Purchaser hereunder shall constitute a waiver with respect to any provisions of this Order, nor shall anything herein contained be construed to limit any warranties or conditions implied by law. All warranties shall continue in full force and effect notwithstanding any termination of this Order by the Purchaser and shall extend for a period of
- eighteen (18) months from the date of delivery of the goods; or
 - twelve (12) months from the date of start-up of the goods or start-up of the equipment into which the goods are incorporated, whichever is earlier.
- The goods or services which are repaired, replaced or performed under the warranties herein, shall be warranted for a new period of
- eighteen (18) months from the date of completion of such repair, replacement or performance; or
 - twelve (12) months from the date of restart-up of the goods or restart-up of the equipment into which the goods are incorporated, whichever is earlier.
15. **SITE OBLIGATIONS** - The Vendor shall become familiar with and comply with the mill visitor induction and safety requirements and other matters, conditions, procedures and mill activities that may affect the delivery of goods or services hereunder. The Vendor recognizes that the Purchaser's mill operations must not be interrupted except as expressly agreed to in writing by the Purchaser. The Vendor shall give advance notice to the Purchaser prior to arrival at the Purchaser's mill sites.
16. **ENVIRONMENTAL** - At the request of the Purchaser, the Vendor shall forward to the Purchaser all relevant information with respect to the environmental impact of any goods and services including without limitation any risks and hazards imposed by such goods and services.
17. **ENERGY REQUIREMENTS** - The Vendor acknowledges the Purchaser's desire to maximize energy efficiency and agrees to take this into consideration in performing its obligations under this Agreement. The Vendor agrees to use commercially reasonable efforts to utilize the best energy practices and technologies relating to the Vendor's industry, to demonstrate energy conservation in its processes and to supply energy efficient equipment and services.
18. **PAYMENTS** - Unless otherwise specified, the price stated on the face of this Order represents the complete cost to the Purchaser at the point of delivery specified herein and includes every license fee, patent royalty, government and municipal tax, levy and charge of any description. Payments are to be in Canadian funds unless otherwise stated herein. Unless otherwise specified, payment will be made within forty-five (45) days from the date of receipt of invoice.
19. **CHANGES TO QUALITY, QUANTITY AND PRICE** - No change shall be made to the quality, quantity and other specifications of the goods or services to be supplied hereunder nor to the price or other charges set forth in this Order, including all taxes, without the Purchaser's express written authorization.
20. **TAXES** - Unless otherwise specifically provided for in this Order, the Vendor assumes exclusive liability for and shall pay before delinquent, all sales, use, excise and other taxes, charges or contributions of any kind with respect to or measured by the goods or the services supplied hereunder and the Vendor shall indemnify and save the Purchaser harmless from any liability and expenses incurred by reason of the Vendor's failure to pay such taxes, charges or contributions. Where the Purchaser has specified in this Order that federal goods and services tax (GST) shall be paid on the goods or services supplied hereunder, the Vendor shall include the Vendor's GST registration number on the invoice. If applicable, the Purchaser will specify in this Order if British Columbia Provincial Sales Tax (PST) shall be paid on goods or services supplied hereunder. If the goods or services supplied under this order are exempt of PST, the Purchaser will provide the Vendor with its PST registration number or PST exemption certificate, as applicable.
21. **SET-OFF** - The Purchaser shall be entitled at all times to set-off any account owing from the Vendor to the Purchaser or to any of its affiliated companies against any amount due or owing to the Vendor under this Order.
22. **LIENS** - The Vendor shall keep the Purchaser's premises free and clear of any and all liens and charges arising in connection with the performance of its obligations under this Order. In the event that any lien, charge, or other encumbrance is attached to the Purchaser's premises or to any goods supplied hereunder, the Purchaser may pay and discharge such lien, charge or encumbrance at the expense of the Vendor, and the cost of such discharge including legal fees, are to be borne by the Vendor.
23. **DELIVERY** - Delivery shall be completed upon:
- arrival of the goods as specified in this Order;
 - acceptance by the Purchaser pursuant to paragraph 25 hereof; and
 - delivery to the Purchaser of a bill of lading or invoice with respect to the goods or services supplied hereunder.
- Unless otherwise stipulated, all risk in the goods shall remain with the Vendor until delivery is so completed. Should the Vendor not be able to meet the specified delivery dates for reasons beyond its control it shall notify the Purchaser, in writing, immediately upon becoming aware of such inability. The Purchaser, at its discretion, may grant an extension of the delivery dates or cancel this Order without penalty.

24. **TAGGING AND SHIPPING** - The Vendor shall place or affix the number of this Order on all invoices, packing slips, packages, containers and correspondence referencing this Order.
- The original bill of lading must be attached to the invoices of the Vendor.
 - When freight or express charges are prepaid for the account of the Purchaser, the invoice must be accompanied by a receipted freight or express bill bearing the number of this Order.
 - If partial shipments are made, a separate invoice must be rendered for each shipment.
 - All invoices sent pursuant to this Order shall be sent to the attention of "Accounts Payable".
 - Damages to any goods resulting from improper packing will be charged to the Vendor's account.
 - Whenever possible, the Vendor shall pack goods supplied hereunder using as little plastic material, including but not limited to, wrap and packing, as possible. No charges will be allowed for packing or crating unless otherwise agreed on the face of this Order.
 - The Vendor shall be solely responsible for the shipment and delivery of "dangerous goods", as defined under the *Transportation of Dangerous Goods Act*, to the destination specified on the face hereof and the Vendor shall indemnify and save the Purchaser harmless from any losses, claims, suits or demands arising from the shipment of such goods to the said destination.
 - All invoices provided hereunder shall be sent to the attention of Accounts Payable at the address shown on the face of this Order. In the event that partial shipments are made under this Order, the Vendor shall provide a separate invoice for each shipment.
25. **INSPECTION AND ACCEPTANCE** - Notwithstanding any prior payment, all goods and services supplied under this Order are subject to inspection and acceptance by the Purchaser within a reasonable time after receipt thereof. The Purchaser will notify the Vendor in writing of its rejection of any goods, which are not in accordance with the description, or specifications stipulated in this Order, and such goods may be held, subject to the disposition of the Vendor at the Vendor's risk and expense. The Purchaser reserves the right to retain any portions or all of a shipment not strictly in accordance with the specifications set out in this Order and in such case will pay a mutually agreed upon price therefore, which retention shall not preclude the Purchaser from rejecting the remainder of the shipment or any part thereof. The Purchaser reserves the right prior to delivery or during the manufacture thereof, to inspect the goods specified on this Order at the place where such goods are being stored or manufactured, provided always that such inspection shall be during the usual business hours of the Vendor.
26. **CANCELLATION BY PURCHASER** - The Purchaser shall be entitled to cancel this Order at any time by giving the Vendor written notice, and upon receipt of such written notice the Vendor shall cease performance under this Order and the Purchaser shall pay to the Vendor as its sole and exclusive remedy the total of:
- costs for materials and labour which the Vendor has actually expended or is irrevocably committed to pay; and
 - actual direct costs reasonably incurred by the Vendor in stopping its performance under this Order; and
 - profit of one percent (1%) on items (a) and (b) above; and
 - less progress payments already made;
- on receipt and approval of the Vendor's fully substantiated claim, provided however, if the total of the aforesaid progress payments exceeds the amounts claimed, the Vendor will forthwith return the excess to the Purchaser.
- All warranties contained in this Order with respect to components of equipment which have been fabricated and delivered to the Purchaser, or are to be delivered, shall survive the cancellation of this Order. All other warranties shall become void upon cancellation of this Order.
27. **INSURANCE** - Until completion of delivery to the Purchaser, the Vendor shall insure goods delivered hereunder against risk of loss or damage. The amount of insurance must be sufficient at all times to reimburse the Vendor for the cost of replacing or repairing the goods and the Vendor shall, at the request of the Purchaser, provide evidence satisfactory to the Purchaser of such insurance coverage.
28. **OVERAGES** - Upon the Vendor's request, any over shipment of goods provided hereunder shall be returned to the Vendor at the Vendor's cost and, if the Purchaser has incurred any costs in respect of such return of over shipped goods, the Vendor shall immediately reimburse the Purchaser for any and all such costs incurred as a result.
29. **CERTIFICATE OF ORIGIN** - The Vendor shall at its own expense, prepare and issue to the Purchaser, Certificate(s) of Origin and Affidavits of Manufacture for goods sold pursuant to the North American Free Trade Agreement (NAFTA) and shall provide copies of the issued Certificate of Origin to the customs administration of each of the Vendor's and the Purchaser's home country upon request as well as provide all information requested by either customs administration in respect to the issued Certificate(s) of Origin. The Vendor shall maintain records in respect of the Certificate of Origin for five years or such longer period as may be required by law. The Vendor shall notify the Purchaser of any change, which may affect the accuracy, or validity of a Certificate of Origin issued to the Purchaser and shall otherwise comply with the Vendor's obligations under NAFTA.
30. **WHMIS** - The supply of any and all hazardous goods to the Purchaser must conform to WHMIS legislation. Goods must be properly labelled and accompanied by Material Safety Data Sheets.
31. **ELECTRICAL APPROVAL** - All electrical equipment must be CSA (Canadian Standards Association) approved and bear the appropriate approval seal.
32. **ASSIGNMENT AND SUBCONTRACTORS** - The Vendor shall not assign or sub-contract the whole or any part of its obligations arising out of this Order without prior written consent of the Purchaser; provided, however, the Vendor shall have the right to sub-contract the supply of any part of the goods and services supplied pursuant to this Order. A sub-contract shall not operate to relieve the Vendor of any obligations or liability hereunder.
33. **INDEPENDENT CONTRACTOR** - It is mutually agreed and understood by the parties hereto that the Vendor is an independent contractor and nothing contained in this Order or otherwise nor any past relationships or course of dealings between the parties shall be construed as establishing a relationship of principal and agent, master and servant, or employer and employee.
34. **PERMITS** - Unless otherwise specifically provided, the Vendor shall obtain, at its expense, all necessary permits, licenses and certificates of inspection required for the performance of services under this Order.
35. **DRAWINGS** - The Vendor recognizes that prompt receipt of approval drawings, certified drawings and maintenance and operating manuals by the Purchaser is of primary importance to enable the Purchaser to fulfil its schedule commitments, and Vendor must furnish

them in strict compliance with any attached schedule, or, if no schedule is attached, within a reasonable time after the date of this Order. Failure to do so constitutes a material breach of this Order by the Vendor.

36. PROVINCIAL SOCIAL SERVICES TAX (PST) & FEDERAL GOODS AND SERVICES TAX (GST) - TAX CODES DESCRIPTION

The following codes represent the Purchaser's internal tax code that shall appear on the face of all Orders.

Crofton Division

	<u>Tax Code Description</u>
I0	Not subject to Goods and Services Tax ("GST") or BC Provincial Sales tax ("PST")
B1	Vendor to charge GST 5%, PST 7%
B2	Vendor to charge GST 5%, PST 7% self-assessed by Purchaser
B3	Vendor to charge GST 5%, PST exempt
BE	Vendor to charge GST 5%, PST 7% and BC Innovative Clean Energy Levy ("ICE") 0.4%
BF	Vendor to charge GST 5% and PST 7%; ICE 0.4% self-assessed by Purchaser
I4	Item is GST Zero-rated, PST 7% self-assessed by Purchaser
I5	Item is GST Zero-rated, PST exempt
IC	GST is paid to Broker, PST exempt
ID	GST is paid to Broker, PST 7% self-assessed by Purchaser
IF	GST is paid to Broker, PST 7% and ICE 0.4% self-assessed by Purchaser

Port Alberni & Powell River Divisions

	<u>Tax Code Description</u>
GST	Vendor to charge Goods and Services Tax ("GST") of 5%
PST	Vendor to charge BC Provincial Sales Tax ("PST") of 7%
PST Self Assessed Neg.	PST 7% self-assessed by Purchaser
PST Exempt	No PST to be charged
ICE	Vendor to charge Innovative Clean Energy ("ICE") Levy of 0.4%
ICE Self-Assessed	ICE Levy of 0.4% self-assessed by Purchaser

37. (USA) FOREIGN SUPPLIERS PLEASE NOTE - If shipping to **Crofton, Port Alberni, or Powell River Divisions** please fax one signed copy of Canadian Customs Manufactured Affidavit on date of shipment to:

Livingston International
 Attention: Catalyst Paper – Artelyn Barroga, Customs Specialist Fax: (204) 477-6864 Phone: (204) 475-5000 ext. 6024
 E-mail: abarroga@livingstonintl.com with a copy to CST53434 cst53434@livingstonintl.com

Please provide a "Certificate of Origin" for all items supplied as required under the Canada – U.S.A. Free Trade Agreement. A blanket certificate may be completed and forwarded to our customs brokers as noted above.

38. PURCHASER'S RIGHTS - The Vendor agrees that any right, cause of action or remedy under the warranties or undertakings assumed or imposed upon the Vendor under these Terms and Conditions shall extend without exception to any company affiliated with the Purchaser on whose behalf the goods and/or services are purchased by the Purchaser. Nothing in these Terms and Conditions operates to derogate from or abrogate in any right, privilege or remedy the Purchaser has under and by virtue of the provisions of the Sales of Goods Act, British Columbia as amended from time to time or any statute passed in substitution therefore.

39. DISCOUNTS - Discounts shall be calculated from the earlier of (i) the date invoices are received in proper form; and (ii) delivery to the applicable Catalyst Paper Division of the relevant goods.

40. INVOICE CORRECTION - If any error is discovered in an invoice rendered to the Purchaser, such errors shall be adjusted within thirty (30) days following the date the Purchaser brings such error to the attention of the Vendor, provided however, that there shall be no adjustment made for an error discovered more than twenty-four (24) months after receipt of an invoice by the Purchaser.

41. VENDOR'S SERVICES - Whenever these Terms and Conditions call for any work to be performed by the Vendor on any of the Purchaser's sites in addition to the supply of goods, the Purchaser's General Conditions shall be applicable, and shall be obtained or, if previously obtained reviewed by, the Vendor prior to commencement of the work. In the event of conflict between these Terms and Conditions and the General Conditions, the latter shall prevail.