

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

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| | X | |
| | : | Chapter 15 |
| In re: | : | |
| | : | Case No. 12-10221 (PJW) |
| CATALYST PAPER CORP., <u>et al.</u> , | : | |
| | : | Jointly Administered |
| Debtors. ¹ | : | |
| | : | Related Docket No. 38 |
| | X | |

**AMENDED ORDER GRANTING PROVISIONAL RELIEF FOR
RECOGNITION OF FOREIGN PROCEEDING
PURSUANT TO 11 U.S.C. §§ 105(a), 1517, 1519, 1520, AND 1521**

Upon consideration of the amended motion (the “Amended Motion”)² of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative for the above-captioned debtors (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CCAA Proceeding”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, *Canada Business Corporations Act*, R.S.C.

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number of the Debtors, as applicable, follow in parentheses: (i) 0606890 B.C. Ltd. (2214); (ii) Catalyst Paper Corporation (1171); (iii) Catalyst Paper Energy Holdings Inc. (3668); (iv) Catalyst Paper General Partnership (6288); (v) Catalyst Pulp and Paper Sales Inc. (2085); (vi) Catalyst Pulp Operations Ltd. (4565); (vii) Catalyst Pulp Sales Inc. (4021); (viii) Elk Falls Pulp and Paper Ltd. (9493); (ix) Pacifica Poplars Ltd. (6048); (x) Catalyst Paper Holdings Inc. (7177); (xi) Pacifica Papers U.S. Inc. (7595); (xii) Pacifica Poplars Inc. (9597); (xiii) Pacifica Papers Sales Inc. (7594); (xiv) Catalyst Paper (USA) Inc. (6890); (xv) Catalyst Paper (Recycling) Inc. (8358); (xvi) Catalyst Paper (Snowflake) Inc. (7015); (xvii) The Apache Railway Company (0017) (0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd., collectively, the “Canadian Debtors”) (Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, collectively, the “U.S. Debtors”). The Debtors’ executive headquarters’ addresses are 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

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

1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, pending before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the United States Code (the “Bankruptcy Code”), seeking: (a) entry of this amended provisional order (this “Amended Provisional Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of a final order (the “Recognition Order”) after notice and a hearing (i) granting the petitions in these cases and recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code or, in the alternative, granting the petitions in these cases, recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors and recognizing the CCAA Proceeding as a foreign nonmain proceeding under section 1517 of the Bankruptcy Code with respect to the U.S. Debtors, (ii) giving full force and effect in the United States to any and all orders that have been or will be made or entered in the CCAA Proceeding, including without limitation, the Initial CCAA Order and any forthcoming final order approving the restructuring transaction to be effected through the CCAA Proceeding (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, and (iii) granting the Debtors’ postpetition lenders certain protections afforded by the Bankruptcy Code; and (c) granting such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and it appearing that this Court has jurisdiction to consider the Amended Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Amended Motion in this District is proper pursuant to 28 U.S.C. § 1410(1); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and due and sufficient notice

of the Amended Motion having been given; and it appearing that no other or further notice need be given under the circumstances; and upon the record of the hearing on the Amended Motion; and the Court having found and determined that the relief sought in the Amended Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Amended Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

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

A. There is a substantial likelihood that CPC will be able to demonstrate that the Debtors are subject to a foreign main proceeding or, in the alternative, that the Canadian Debtors are subject to a foreign main proceeding and the U.S. Debtors are subject to a foreign nonmain proceeding, and that the Chapter 15 Cases were properly commenced by a properly-appointed foreign representative.

B. The commencement or continuation of any action or proceeding in the United States with respect to the Debtors or any of the Debtors' assets or proceeds thereof, except for with respect to obligations owing under the DIP Facility which are governed by the terms and conditions set forth below, should be enjoined pursuant to sections 105(a), 362, and 1519 of the Bankruptcy Code to permit the expeditious and economical administration of the Debtors' assets and recapitalization in the CCAA Proceeding, and the relief requested either will not cause an undue hardship, or any hardship to parties in interest is outweighed by the benefits of the relief requested in the Amended Motion.

C. Unless the automatic stay is applied in these Chapter 15 Cases, there is a material risk that the Debtors' assets in the United States could be subject to efforts by creditors

or other parties in interest to control or possess such assets. Such acts could: (a) interfere with and cause harm to the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code; (b) interfere with and cause harm to the Debtors' efforts to administer their assets and reorganize pursuant to the CCAA Proceeding; and (c) undermine CPC's efforts to achieve an equitable result for the benefit of all of the Debtors' creditors. Accordingly, there is a material risk that the Debtors may suffer immediate and irreparable injury for which they will have no adequate remedy at law and therefore it is necessary that the Court enter this Amended Provisional Order.

D. CPC has demonstrated that without the protection of section 365(e) of the Bankruptcy Code, there is a material risk that counterparties to certain of the Debtors' contracts may take the position that the commencement of the CCAA Proceeding or the Chapter 15 Cases authorizes them to terminate such contracts or accelerate obligations thereunder. Such termination or acceleration will severely impair the Debtors' restructuring efforts and result in irreparable damage to the value of the Debtors' estates and substantial harm to the Debtors' creditors and other parties in interest.

E. CPC has demonstrated that no injury will result to any party that is greater than the harm to the Debtors' business, assets, and property in the absence of the requested relief.

F. The interests of the public will be served by this Court's entry of this Amended Provisional Order.

Based on the foregoing findings of fact and conclusions of law,

IT IS HEREBY ORDERED THAT:

1. The Amended Motion is GRANTED.

2. Pending disposition of the Amended Chapter 15 Petitions and the Amended Motion for a final order (the “Recognition Date”), pursuant to sections 1519(a)(1) – (a)(3) and 1521(a)(7) of the Bankruptcy Code, section 362 of the Bankruptcy Code is applicable to the Debtors and the property of the Debtors within the territorial jurisdiction of the United States in the Chapter 15 Cases; provided, however, that nothing in this paragraph 2 shall limit, abridge, or otherwise effect the rights afforded the DIP Lender under the DIP Term Sheet and the Debtors’ authorization to make certain payments as permitted by any order of the Canadian Court and subject to the terms and conditions set forth therein as further noted below. A copy of the DIP credit agreement will be filed with this Court upon execution.

3. Section 365(e) of the Bankruptcy Code is applicable to the Debtors in these Chapter 15 Cases. Any provision of the type described in section 365(e)(1) is unenforceable against the Debtors until such time as an order disposing of the Chapter 15 Petitions is entered.

4. Upon entry of this Amended Provisional Order no creditor or counterparty affected by the CCAA Proceeding (which, for greater certainty, exempts JPMorgan Chase Bank, N.A., Toronto Branch in its capacity as DIP Agent with respect to obligations owing under the DIP Facility from the operation of the stay of proceedings, subject to the terms and conditions set forth below, and includes, but is not limited to, the 2014 Noteholders and 2016 Noteholders (each as defined in the Second Baarda Declaration) or any party acting on their behalf), shall have the right to make, commence, or enforce any rights, guarantees or security documents to which the Debtors are party.

5. Upon the occurrence of and during the continuance of an Event of Default under the DIP credit agreement or any other documents relating to the DIP Facility

(collectively, the “DIP Loan Documents”), the DIP Agent and the DIP Lender are entitled to exercise rights and remedies under the DIP Loan Documents and take any other action or exercise any other right or remedy permitted to the DIP Agent or the DIP Lender under the DIP Loan Documents or by operation of law without further relief from the automatic stay pursuant to section 362(a) of the Bankruptcy Code, or further order of or application to this Court; provided, however, that the DIP Agent and DIP Lender may not exercise their rights under this paragraph with respect to any Collateral (as defined in the DIP credit agreement) located within the United States without first providing to counsel for the Debtors, counsel to certain of the 2016 Noteholders, counsel to certain of the 2014 Noteholders, counsel for the Monitor in the CCAA Proceeding, and the U.S. Trustee five (5) business days’ written notice of any such Event of Default and the proposed exercise of rights and remedies. Nothing in this order or by operation of law, including section 362(a) of the Bankruptcy code, shall prejudice, impair or otherwise affect the rights of the DIP Agent and DIP Lender, as provided in the DIP Loan Documents, to suspend or terminate the making of loans or other advances under the DIP Loan Documents.

6. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) and 1521(d) of the Bankruptcy Code.

7. CPC, in connection with its appointment as the foreign representative, is entitled to the protections and rights available pursuant to sections 1519(a)(1), (a)(2) and (a)(3) of the Bankruptcy Code, to the extent such relief is not inconsistent with the Canadian Orders.

8. Pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, made applicable to these proceedings pursuant to Bankruptcy Rule 7065, no notice to any person is

required prior to entry and issuance of this Amended Provisional Order. The security provisions of Rule 65(c) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7065, are waived.

9. Notice of: (a) the filing of the Amended Chapter 15 Petitions and the Amended Motion; (b) this Court's entry of this Amended Provisional Order; (c) the deadline to object to this Court's entry of the Recognition Order; and (d) the hearing for this Court to consider the Amended Chapter 15 Petitions and entry of the Recognition Order (the "Notice"), along with a copy of this Amended Provisional Order shall be served by U.S. or Canadian mail, first-class postage prepaid or by overnight courier, within three (3) business days of the entry of this Amended Provisional Order upon the Notice Parties.³ With respect to parties to litigation pending in the United States in which any of the Debtors is a party at the time of filing the Amended Chapter 15 Petitions in these chapter 15 cases, any parties who are represented by counsel shall be served at the address of their counsel of record. In addition, Debtors shall file a copy of the Notice and a copy of this Amended Provisional Order on the docket of such pending litigation matters. Service of the Amended Chapter 15 Petitions, the Amended Motion and this Amended Provisional Order (the "Amended Petition Documents") in accordance with

³ Pursuant to this Court's *Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition* [Docket No. 23] (the "Notice Order"), the Notice Parties include: (i) all entities against whom provisional relief is being sought under section 1519 of the Bankruptcy Code (excepting employees); (ii) all parties to litigation pending in the United States in which any of the Debtors are parties at the time of the filing of the Chapter 15 Petitions; (iii) the United States Trustee; (iv) the Debtors; (v) counsel to certain 2016 Noteholders (as described in the Notice Order); (vi) counsel to certain 2014 Noteholders (as described in the Notice Order); (vii) counsel to the Administrative Agent for the Debtors' postpetition credit facility, J.P. Morgan Chase Bank, N.A., Toronto; (viii) all other known parties who claim interests in or liens upon the assets owned by the Debtors in the United States; (ix) all governmental taxing authorities who have or may have claims, contingent or otherwise, against any Debtor; (x) governmental pension, environmental and Medicare entities; (xi) the Attorneys General of Delaware, California and Arizona; (xii) the Attorney General of the United States; (xiii) the Internal Revenue Service; (xiv) all relevant taxing authorities; and (xv) all parties who have requested notice.

this paragraph shall constitute due and sufficient notice of the Amended Petition Documents and any relief of this Court associated therewith.

10. The Amended Petition Documents shall also be made publicly available upon request at the offices of CPC's counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 S. Grand Ave., Suite 3400, Los Angeles, CA 90071, Attn: Annie Li, Esq., or Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Christine Kim, Esq.

11. A hearing to consider entry of the Recognition Order shall be held on March 5, 2012 at 9:30 a.m. (prevailing Eastern Time) (the "Recognition Hearing"). Any responses or objections to the Amended Chapter 15 Petitions or the entry of the Recognition Order shall (a) be made in writing, describe the basis therefore, and indicate the nature and extent of the respondent's interests in the Debtors' cases, and (b) be filed with the Office of the Clerk of the Court, 824 Market Street, Third Floor, Wilmington, Delaware 19801, and served upon: (A) counsel for CPC as foreign representative: Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, CA 90071, Attn: Van C. Durrer, II, Esq.; (B) counsel for the Debtors: Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3, Canada, Attn: William C. Kaplan, Esq.; (C) counsel for certain 2016 Noteholders⁴: Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036-6745, Attn: Stephen Kuhn, Esq., Meredith Lahaie, Esq., Michael Stamer, Esq.; (D) counsel for certain 2014 Noteholders⁵: Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7,

⁴ Representing an informal group of 2016 Noteholders.

⁵ Representing an informal group of 2014 Noteholders.

Canada, Attn: Robert Chadwick, Esq., Melaney Wagner, Esq.; (E) JPMorgan Chase, as DIP Facility agent: (i) McMillan LLP, Brookfield Place, Suite 4400, 181 Bay Street, Toronto, ON M5J 2T3, Canada, Attn: R.D. Jeffrey Rogers, Esq., (ii) JPMorgan Chase Bank, N.A., Toronto Branch, c/o JPMorgan Chase Bank, N.A., 3 Park Plaza, Suite 900, Irvine, CA 92614, Attn: Annaliese Fisher, (iii) JPMorgan Chase Bank, N.A., Toronto Branch, 200 Bay Street, South Tower, Suite 1800, Toronto, Ontario M5J 2J2, Canada, Attn: Agostino Marchetti; (F) the Office of the United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: David Buchbinder, Esq.; (G) counsel for PwC: Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3, Canada, Attn: John Grieve, Esq., Kibben Jackson, Esq.; (H) PricewaterhouseCoopers, 250 Howe Street, Suite 700, Vancouver, British Columbia V6C 3S7 on or before **4:00 p.m. (prevailing Eastern Time) on**

February 28, 2012.

12. The date and time of the Recognition Hearing, in CPC's sole discretion, may be adjourned to a subsequent date without further notice except for an in-court announcement on the record at the Recognition Hearing, or a filing by CPC on the docket of the Chapter 15 Cases, of the date and time to which the Recognition Hearing has been adjourned.

13. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Amended Provisional Order shall be effective immediately and enforceable upon its entry and shall remain effective until either (i) entry of an order recognizing the CCAA Proceeding and, pursuant to section 1521(a)(6), extending the relief granted herein, or (ii) entry of an order denying recognition to the CCAA Proceeding; (b) neither CPC nor the DIP Lender (to the extent provided in paragraph 2 above) are subject to any stay in the implementation,

enforcement or realization of the relief granted in this Amended Provisional Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Amended Provisional Order.

14. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Amended Motion or the implementation of this Amended Provisional Order.

Dated: February 7, 2012
Wilmington, Delaware

A handwritten signature in black ink, appearing to read 'P.J. Walsh', is written over a horizontal line.

Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE