

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

	X	
In re:	:	Chapter 15
	:	
CATALYST PAPER CORP., <u>et al.</u> ,	:	Case No. 12-10221 (PJW)
	:	
Debtors. ¹	:	Joint Administration Pending
	:	
	:	Related Docket No. <u>6</u>
	X	

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

Upon consideration of the motion (the “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 “CBCA Proceeding”) under Canada’s *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) 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

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); (xvii) 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.

the United States Code (the “Bankruptcy Code”), seeking: (a) entry of this provisional order (this “Provisional Relief 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 CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code or, in the alternative, granting the Chapter 15 Petitions, recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors and recognizing the CBCA Proceeding as a foreign nonmain proceeding under section 1517 of the Bankruptcy Code with respect to the U.S. Debtors, and (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 CBCA Proceeding, including without limitation, the Interim Order (as defined below) and any forthcoming final order approving the restructuring transaction to be effected through the CBCA “arrangement” (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court; and (c) granting such other and further relief as this Court deems just and proper; and upon the Baarda Declaration, the Kaplan Declaration, and the Memorandum of Law; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the 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 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 Motion; and the Court having found and determined that the relief sought in the Motion is consistent with the purpose of

chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the 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 non-main 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 Asset-Based Lending Facility provided by J.P. Morgan Chase Bank N.A., J.P. Morgan Securities LLC and CIBC Asset Based Lending Inc., 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 CBCA 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 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 CBCA 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 Provisional Relief 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 CBCA 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 Provisional Relief Order.

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

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. Pending disposition of the Chapter 15 Petitions and the 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, except for with respect to obligations owing under the Asset-Based Lending Facility provided by J.P. Morgan Chase Bank N.A., J.P. Morgan Securities LLC and CIBC Asset Based Lending Inc.

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 Provisional Order, no creditor or counterparty affected by the CBCA Proceeding (which, for greater certainty, exempts JPMorgan Chase Bank, N.A., Toronto Branch in its capacity as Administrative Agent with respect to obligations owing under the Asset-Based Lending Facility provided by J.P. Morgan Chase Bank N.A., J.P. Morgan Securities LLC and CIBC Asset Based Lending Inc. from the operation of the stay of proceedings, and includes, but is not limited to, the 2014 Noteholders and 2016 Noteholders (each as defined in the Baarda Declaration) or any party acting on their behalf), shall have the right to make, commence, or enforce any rights, claims or remedies in respect of or arising from any obligations under their respective agreements, guarantees or security documents to which the Debtors are party. Notwithstanding anything to the contrary contained in this Provisional Order, no trade vendor supplying goods or services to any of the Debtors in the ordinary course of business consistent with existing terms or otherwise on normal trade terms shall be barred from enforcing its contractual rights and remedies in respect of the Debtors' obligations to pay for such goods and services in the ordinary course of business and on such existing or otherwise normal trade terms, and nothing in this Provisional Order bars the Debtors from timely satisfying such obligations.

5. 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.

6. 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.

7. 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 Provisional Relief Order. The security provisions of Rule 65(c) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7065, are waived.

8. Notice of: (a) the filing of the Chapter 15 Petitions and the Motion; (b) this Court's entry of this Provisional Relief 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 Chapter 15 Petitions and entry of the Recognition Order, shall be served in accordance with the order (the "Notice Order") of this Court approving the *Motion to Approve 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*. Service of the Chapter 15 Petitions, the Motion and this Provisional Relief Order (the "Petition Documents") in accordance with the Notice Order shall constitute due and sufficient notice of the Petition Documents and any relief of this Court associated therewith.

9. The 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.

10. A hearing to consider entry of the Recognition Order shall be held on **February 16, 2012 at 2:00pm (prevailing Eastern Time)** (the "Recognition Hearing"). Any responses or objections to the 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 Noteholders³: Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036-6745, Attn: Michael Stamer, Esq.; Stephen Kuhn, Esq., Meredith Lahaie, Esq.; (D) counsel for certain 2014 Noteholders⁴: Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7, Canada, Attn: Robert Chadwick, Esq., Melaney Wagner, Esq.; (E) JPMorgan Chase, as ABL facility Administrative Agent: (i) McMillan LLP, Brookfield Place, Suite 4400, 181 Bay Street, Toronto, ON M5J 2T3, Canada, Attn: R.D. Jeffrey Rogers, Esq., Waël Rostom, Esq., (ii) Bryan Cave, 211 North Broadway, Suite

³ Representing an unaffiliated group of holders of 2016 Notes who have executed the Restructuring Support Agreement (attached as Exhibit C to the Baarda Declaration).

⁴ Representing a group of 2014 Noteholders who have executed the Restructuring Support Agreement (attached as Exhibit C to the Baarda Declaration).

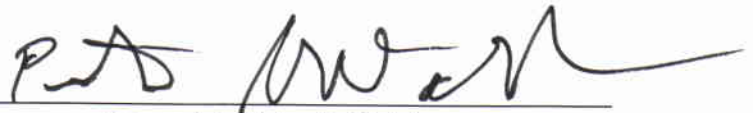
3600, St. Louis, MO 63102, Attn: Gregory D. Willard, Esq. (iii) JPMorgan Chase Bank, N.A., Toronto Branch, c/o JPMorgan Chase Bank, N.A., 3 Park Plaza, Suite 900, Irvine, CA 92614, Attn: Annaliese Fisher, (iv) JPMorgan Chase Bank, N.A., Toronto Branch, 200 Bay Street, South Tower, Suite 1800, Toronto, 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., on or before **4:00 p.m. (prevailing Eastern Time) on February 10, 2012.**

11. 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.

12. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Provisional Relief Order shall be effective immediately and enforceable upon its entry and shall remain effective until either (i) entry of an order recognizing the CBCA Proceeding and, pursuant to section 1521(a)(6), extending the relief granted herein, or (ii) entry of an order denying recognition to the CBCA Proceeding; (b) CPC is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Provisional Relief 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 Provisional Relief Order.

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

Dated: January 19, 2012
Wilmington, Delaware



Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE