

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

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

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

Catalyst Paper Corporation (“CPC”), as the authorized foreign representative for itself and its above-captioned affiliates (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 (the “CCAA”), *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, before the Supreme Court of British Columbia (the “Canadian Court”), hereby moves (the “Motion”) this Court, pursuant to sections 105(a), 1517, 1519, 1520 and 1521 of title 11 of the United States Code (the “Bankruptcy Code”) for: (a) entry of an amended provisional order (the “Amended Provisional

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) (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.

Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these chapter 15 cases on an interim basis, pursuant to sections 1519(a)(1)-(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of a final order (the “Recognition Order” or, in the alternative, the “Alternative Recognition Order”) after a notice and a hearing (i) granting the amended 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, recognizing the CCAA Proceeding as a “foreign main proceeding” with respect to the Canadian Debtors, and as a “foreign nonmain proceeding” as defined in sections 1502(5) and 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors, (ii) giving full force and effect in the United States to the Initial CCAA Order (as defined below) and any other orders entered by the Canadian Court in connection with the CCAA Proceeding (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, and (iii) granting the agent and lenders under the Debtors’ postpetition financing facility certain protections afforded by the Bankruptcy Code; and (c) granting such other and further relief as this Court deems just and proper. In support of the Motion, CPC relies upon the Second Declaration of Brian Baarda (the “Second Baarda Declaration”), filed contemporaneously herewith, and the Memorandum of Law in Support of: (I) Verified Petitions Under Chapter 15; and (II) Amended Motion for Provisional Relief and Final Recognition of a Foreign Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521 (the “Memorandum of Law”), filed contemporaneously herewith, and each of which is incorporated herein by reference. In further support of the Motion, CPC respectfully represents as follows:

BACKGROUND

1. On January 17, 2012 (the “Petition Date”), the Debtors filed and served notice of their motion for protection (the “CBCA Proceeding”) under Canada’s *Canada Business*

Corporations Act, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) before the Canadian Court. Further, on January 17, 2012, the Canadian Court entered an interim order (the “Interim Order”) specifying such items as the manner for calling and holding a special meeting of the stakeholders (e.g., distribution of proxy materials, notice periods, and time and place of meeting), the persons entitled to vote at the meeting, classes of persons entitled to a separate class vote, and the acceptance thresholds for approval of the CBCA arrangement. The Interim Order also imposed a stay of proceedings on any attempts by certain stakeholders to proceed against the Debtors in connection with the CBCA Proceeding or these chapter 15 proceedings. Interim Order ¶ 34.

2. On the Petition Date, the Debtors commenced their chapter 15 cases by filing petitions (collectively, the “Chapter 15 Petitions”) pursuant to section 1504 and 1515 of the Bankruptcy Code (collectively, the “Chapter 15 Cases”). CPC sought recognition of the CBCA Proceeding as a “foreign main proceeding” as defined in sections 1502(4) and 1517(b)(1) of the Bankruptcy Code or, in the alternative, recognition of the CBCA Proceeding as a “foreign main proceeding” with respect to the Canadian Debtors, and as a “foreign nonmain proceeding” with respect to the U.S. Debtors.

3. On January 19, 2012, this Court entered the Order Granting Provisional Relief for Recognition of a Foreign Proceeding Pursuant to 11 U.S.C. Sections 105(a), 1517, 1519, 1520, and 1521 [Docket No. 22] (the “Original Provisional Order”), which, among other things, granted a stay with respect to all of the Debtors’ assets in the United States.

4. As discussed above, on January 17, 2012 the Debtors commenced a CBCA Proceeding in the Canadian Court, having reached a consensual arrangement with certain holders of 2016 Notes (defined below) and certain holders of 2014 Notes (defined below), as reflected in the terms of the restructuring support agreement (the “RSA”). Among other things, the RSA provided that if the Debtors had not obtained the support of at least 66 $\frac{2}{3}$ % of the outstanding principal

amount of the 2016 Notes and the 2014 Notes by January 31, 2012, the RSA would be subject to termination. Furthermore, the Debtors had previously entered into a waiver agreement whereby the lenders under the ABL Facility (defined below) agreed to waive and forbear with respect to any potential events of default in connection with the CBCA Proceeding until January 31, 2012. As of the date of filing the CCAA Proceeding, the Debtors had obtained 79.47% support from the 2016 Noteholders and 56.4% from the 2014 Noteholders.

5. Given these circumstances, the Debtors had little choice but to seek protection under the CCAA in order to preserve enterprise value and continue as a going concern while the Debtors attempt to implement other restructuring alternatives. In the initial order (the “Initial CCAA Order”), attached to amended chapter 15 petitions of the Debtors, the Canadian Court appointed PricewaterhouseCoopers (“PWC” or “Monitor”) as monitor of the CCAA Proceedings, authorized CPC to serve as foreign representative of the Debtors and provided a stay with respect to the Debtors’ assets. The Debtors have also filed an application seeking approval of the DIP Facility (defined below), which application the Debtors have requested that the Canadian Court hear on February 3, 2012. The Second Baarda Declaration provides further details regarding the progress of the CBCA Proceeding and the CCAA Proceeding.

6. On January 31, 2012, the Debtors are filing amended chapter 15 petitions (collectively, the “Amended Chapter 15 Petitions”) pursuant to section 1504 and 1515 of the Bankruptcy Code. Due to the recent turn of events, CPC now seeks recognition of the CCAA Proceeding as a “foreign main proceeding” as defined in sections 1502(4) and 1517(b)(1) of the Bankruptcy Code. In the alternative, CPC seeks recognition of the CCAA Proceeding as a “foreign main proceeding” as defined in sections 1502(4) and 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors, and recognition of the CCAA Proceeding as a “foreign nonmain

proceeding” as defined in sections 1502(5) and 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors.

7. As set forth more fully in the Second Baarda Declaration, the Company has a capital structure consisting of (i) a revolving credit facility for up to CAD\$175 million (the “ABL Facility”),² (ii) 11% senior secured notes with a combined face value of US\$390 million due December 2016 (the “2016 Notes”)³ and (iii) 7.375% senior unsecured notes with a face value of US\$250.0 million, due in March 2014 (the “2014 Notes”).

8. The Debtors’ gross revenues and EBITDA have steadily decreased since 2006 as a result of reduced global demand for paper products. In order to restructure the Debtors’ outstanding debt obligations and return the Debtors to a profitable capital structure, the Debtors commenced the CBCA Proceeding, followed by the CCAA Proceeding, and CPC commenced the Chapter 15 Cases. Further, in order to properly fund the costs of the CCAA Proceeding and the Chapter 15 Cases, as well as the Debtors’ continued operational expenses during the pendency of such proceedings, the Debtors and their advisors have engaged in multi-party negotiations with significant parties in interest and have made a good-faith business decision to enter into a commitment letter (the “DIP Commitment Letter”) from J.P. Morgan Chase Bank, N.A., Toronto Branch (“JPMorgan Chase” or the “DIP Agent”), as administrative agent, J.P. Morgan Securities Inc. as sole lead arranger and bookrunner, and certain other lenders (collectively, the “DIP Lender”)⁴ and a term sheet (the “DIP

² The ABL Facility is secured by a first-priority lien on the Debtors’ current working capital assets including, without limitation, accounts receivable, inventories, and cash in addition to certain real property assets (the “ABL First Charge Collateral”). The ABL Facility is further secured by a second-priority lien over the 2016 Notes First Charge Collateral (defined below).

³ The 2016 Notes are secured by a first-priority lien on substantially all of the assets of the Company, other than (i) the ABL First Charge Collateral and (ii) certain excluded assets (the “2016 Notes First Charge Collateral”). The 2016 Notes are further secured by a second-priority lien over the ABL First Charge Collateral.

⁴ The DIP Agent also served as the administrative agent under the ABL Facility. The DIP Agent’s position as the Debtors’ prepetition administrative agent under the ABL Facility provides it with the experience and familiarity
(cont’d)

Term Sheet” and, together with the DIP Commitment Letter, the DIP Term Sheet or any related documents required to be delivered by or in connection with the DIP Facility, the “DIP Loan Documents”). A copy of the DIP Term Sheet and the DIP Commitment Letter will be attached to the forthcoming *Motion for Provisional Relief In Connection With Debtor-In-Possession Financing Pursuant to 11 U.S.C. §§ 105(a), 1519, and 1521*. A copy of the DIP credit agreement will be filed with this Court upon execution. Under the DIP Term Sheet, the DIP Lender will provide the Debtors with access to an 18-month postpetition revolving credit facility (the “DIP Facility”) in the amount of \$175 million. The DIP Facility will be available in Canadian dollars or U.S. dollars to the Canadian Borrowers. Not more than \$20 million of the DIP Facility at any one time outstanding shall be available to the U.S. Borrowers denominated in U.S. Dollars only.

9. CPC and the Debtors believe that the terms of the DIP Term Sheet are reasonable under the circumstances. The Debtors’ principal uses of cash during the pendency of the Chapter 15 Cases are anticipated to include the payment of ongoing costs of day-to-day operations, professional fees, and disbursements in connection with the CCAA Proceeding and other ordinary course working capital needs. The Debtors have not been able to obtain postpetition financing from any lender or group of lenders on more favorable terms than those outlined in the DIP Term Sheet to be approved by the Canadian Court.

10. Additional factual background regarding the Debtors, including their business operations, their capital and debt structure, and the events leading to the filing of these bankruptcy cases, is set forth in detail in the Second Baarda Declaration.⁵

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necessary to fulfill the Debtors’ postpetition financing needs on a cost-effective and timely basis and on the best-available terms.

⁵ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Second Baarda Declaration.

JURISDICTION AND VENUE

11. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

12. Venue is proper in this District pursuant to 28 U.S.C. § 1410.

13. The statutory predicates for the relief requested herein are sections 105(a), 362, 364, 365, 1517, 1519, 1520, and 1521 of the Bankruptcy Code.

REQUEST FOR RELIEF

14. By this Motion, CPC seeks (a) entry of the Amended Provisional Order, substantially in the form attached hereto as Exhibit A, on an interim basis, applying sections 362 and 365(e) of the Bankruptcy Code to the Chapter 15 Cases pursuant to sections 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code until such time that this Court enters the Recognition Order;⁶ (b) after notice and a hearing, entry of the Recognition Order, substantially in the form attached hereto as Exhibit B, (i) granting the Amended Chapter 15 Petitions and recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code, (ii) giving full force and effect in the United States to the Canadian Orders, including any extensions or amendments thereof approved by the Canadian Court, and (iii) granting the DIP Lender (as defined below) certain protections afforded by the Bankruptcy Code; and (c) such other and further relief as this Court deems just and proper.

15. In the alternative by this Motion, CPC seeks (a) entry of the Amended Provisional Order, substantially in the form attached hereto as Exhibit A, on an interim basis, applying sections

⁶ In order to ensure that the relief granted in respect of this Motion is consistent with the relief granted in the CCAA Proceeding, CPC requests that any stay relief provided by this Court not limit, abridge, or otherwise affect (a) the rights afforded the DIP Agent and the other lenders under the DIP Term Sheet (as defined below) pursuant to the Canadian Orders and (b) the Debtors' authorization to make certain payments as permitted by the Canadian Orders and subject to the terms and conditions set forth therein.

362 and 365(e) of the Bankruptcy Code to the Chapter 15 Cases pursuant to sections 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code until such time that this Court enters the Alternative Recognition Order; (b) after notice and a hearing, entry of the Alternative Recognition Order, substantially in the form attached hereto as Exhibit C, (i) granting the Chapter 15 Petitions, 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(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors, and (ii) giving full force and effect in the United States to the Canadian Orders, including any extensions or amendments thereof approved by the Canadian Court; and (iii) such other and further relief as this Court deems just and proper. In any event, CPC seeks the same relief with respect to all of the Debtors; namely, the relief provided in section 1520 of the Bankruptcy Code, whether through the application of section 1520 or section 1521(a)(7) of the Bankruptcy Code.

BASIS FOR RELIEF

16. CPC filed the Chapter 15 Petitions to obtain recognition of the CCAA Proceeding as a “foreign main proceeding” or a “foreign nonmain proceeding” under section 1517 of the Bankruptcy Code and to seek certain provisional relief related thereto from this Court in connection with the CCAA Proceeding. The Debtors’ ultimate goal is to ensure an orderly administration of the Debtors’ financial affairs and the recapitalization of the Debtors’ capital structure under the auspices of the CCAA Proceeding, with the aid of this Court through the Chapter 15 Cases. CPC believes that entry of the Amended Provisional Order and Recognition Order will best assure (and may be the only way to ensure) such a result.

A. Provisional Relief Is Authorized Under Section 1519(a) of the Bankruptcy Code

17. Section 1519(a) of the Bankruptcy Code provides that:

From the time of filing a petition for recognition until the court rules on the petition, the court may, at the request of the foreign representative, where relief is urgently needed to protect the assets of the debtor or the interests of the creditors, grant relief of a provisional nature, including –

(1) staying execution against the debtor’s assets;

(2) entrusting the administration or realization of all or part of the debtor’s assets located in the United States to the foreign representative or another person authorized by the court, including an examiner, in order to protect and preserve the value of assets that, by their nature or because of other circumstances, are perishable, susceptible to devaluation or otherwise in jeopardy; and

(3) any relief referred to in paragraph (3), (4), or (7) of section 1521(a).

11 U.S.C. § 1519(a).

18. Section 1519(a)(3) of the Bankruptcy Code authorizes the Court to grant, on a provisional basis, any relief available under section 1521(a)(7). Section 1521(a)(7) in turn provides for the grant of any relief available to a trustee, subject to certain statutory exceptions that are not applicable here. Accordingly, this Court has discretion to grant application of sections 362 and 365(e) on a provisional basis in order to preserve the estate during the pendency of the Chapter 15 Cases, prior to final disposition of the Amended Chapter 15 Petitions.

19. Relief under section 1519 of the Bankruptcy Code is available where the foreign representative can satisfy the standard for injunctive relief. In the Third Circuit, the four factors considered for such standard are: “(1) whether the movant has shown a reasonable probability of success on the merits; (2) whether the movant will be irreparably injured by denial of the relief; (3) whether granting preliminary relief will result in even greater harm to the nonmoving party; and (4) whether granting the preliminary relief will be in the public interest.” U.S. v. Bell, 414 F.3d 474, 478 n.4 (3d Cir. 2005) (citing ACLU of N.J. v. Black Horse Pike Reg’l Bd. of Educ., 84 F.3d 1471,

1477 n.2 (3d Cir. 1996) (en banc)). As discussed more fully in the accompanying Memorandum of Law, this standard is met here.

20. As set forth below and in the Memorandum of Law, recognition of the Chapter 15 Cases on a permanent basis is proper, meaning the probability of successfully obtaining recognition of the CCAA Proceeding pursuant to chapter 15 is high. Further, unless the Amended Provisional Order is entered, the Debtors face the real possibility of immediate and irreparable harm from (a) individual creditors' collection and enforcement actions, (b) the attempted termination of certain contracts as a result of the filing of the Chapter 15 Cases and the CCAA Proceeding, and (c) prejudice that could result from decentralized administration of the Debtors' assets.

21. With respect to the potential for collection activity by creditors, a number of courts have recognized the need for provisional relief to prevent individual creditors from taking extrajudicial advantage of the recognition process. See Victrix S.S. Co., S.A v. Salen Dry Cargo, A.B., 825 F.2d 709, 713-14 (2d Cir. 1987) (harm to an estate exists where the orderly determination of claims and the fair distribution of assets are disrupted); In re Banco Nacional de Obras y Servicios Publicos, S.N.C., 91 B.R. 661, 664 (Bankr. S.D.N.Y. 1988). The holders of Debtors' prepetition debt may assert that the commencement of the CCAA Proceedings is an event of default under the applicable agreement, and may proceed to exercise their remedies thereunder. In addition, counterparties to various contracts with the Debtors may take the position that such contracts terminated upon the commencement of the CCAA Proceedings and, without the protections afforded by section 365(e) of the Bankruptcy Code, the Debtors may lose valuable rights and benefits thereunder. The relief requested herein is necessary to protect against the disruption to business operations and interference with reorganization efforts that would result from such exercise of remedies by lenders, contract counterparties, and others. Absent this relief, the Debtors and their creditors may suffer irreparable harm.

22. Further, entry of the Amended Provisional Order is also justified under the balance of hardships test. Absent this Court's entry of the Amended Provisional Order, the Debtors may be forced to needlessly expend their limited resources in defense of attachment and other similar collection actions by individual creditors, and may need to exert efforts to replace terminated contracts, potentially with less advantageous terms. At the same time, entry of the Amended Provisional Order will impose little, if any, hardship on any party. The hearing on the Recognition Order will likely be held in approximately 21 days from the date hereof; thus, the requested provisional relief will only be in place for a limited time and will have little impact on creditors as a whole if, for some reason that is not anticipated, the Court determines not to grant recognition to the CCAA Proceeding. Further, the Amended Provisional Order would not prohibit termination upon the occurrence of any default under the Debtors' contracts other than those specifically enumerated in section 365(e) of the Bankruptcy Code. By contrast, if the provisional relief sought herein is not granted, the Debtors are at material risk of immediate and irreparable harm from automatic termination of certain contracts.

23. Moreover, upon entry of the Recognition Order or the Alternative Recognition order granting recognition to the CCAA Proceeding as a foreign proceeding, sections 1520 and 1521 of the Bankruptcy Code would implement, among other provisions, the automatic stay of section 362 of the Bankruptcy Code in the Chapter 15 Cases. Thus, in the event an order recognizing the CCAA Proceeding is entered, CPC will be entitled to much of the relief provided for by the Amended Provisional Order. In addition, the Debtors intend to continue satisfying their obligations on normal trade terms in the ordinary course of business, so creditors and contract counterparties should not be greatly affected by the ongoing proceedings (if at all). Individual creditors' rights to initiate piecemeal collection and enforcement actions in the United States and to terminate contracts or services when the Debtors will be continuing to operate in the ordinary course of business should

be afforded minimal weight in light of the CCAA Proceeding, the filing of the Amended Chapter 15 Petitions, and the relief requested herein.

24. Lastly provisional application of sections 362 and 365(e) in these Chapter 15 Cases is in the public interest, as such relief is consistent with relief to which debtors in plenary cases under the Bankruptcy Code are entitled. Such relief will allow for a more efficiently-administered restructuring process to the benefit of all interested parties.

25. Furthermore, provisional relief similar to that requested herein has been granted in numerous chapter 15 cases in both this and other districts. See, e.g., In re Angiotech Pharmaceuticals, Inc., No. 11-10269 (Bankr. D. Del. Jan. 31, 2011); In re Biltrite Rubber (1984) Inc., No. 09-31423 (Bankr. N.D. Ohio Mar. 13, 2009) (applying, pursuant to section 1519 of the Bankruptcy Code, section 362 of the Bankruptcy Code on a provisional basis to the actions of all creditors against the petitioners and their property located within the United States); In re KPMG Inc., Foreign Representative of Redcorp Ventures Ltd. and Redfern Resources Ltd., No. 09-12019 (Bankr. W.D. Wash. March 9, 2009) (same); In re MAAX Corp., No. 08-11443 (Bankr. D. Del. July 14, 2008) (applying, pursuant to section 1519 of the Bankruptcy Code, section 365(e) on a provisional basis to protect against contract termination); In re Destinator Technologies, Inc., No. 08-11003 (Bankr. D. Del. May 20, 2008) (granting, pursuant to section 1519 of the Bankruptcy Code, a temporary injunction and application of sections 363 and 364 of the Bankruptcy Code on a provisional basis).

26. Based on the foregoing, as supplemented by the Memorandum of Law, CPC submits that the provisional relief requested herein is appropriate, authorized under the Bankruptcy Code, and in the best interests of the Debtors, their creditors and other parties in interest, and should be granted in full.

B. The Final Relief Requested Herein is Necessary and Appropriate

(a) *Recognition of the CCAA Proceeding and Enforcement on a Final Basis of the Canadian Orders is Appropriate*

27. Chapter 15 of the Bankruptcy Code applies where assistance is sought in the United States by a foreign representative in connection with a foreign proceeding. See 11 U.S.C.

§ 1501(b)(1). Two of the objectives of chapter 15 of the Bankruptcy Code are the “fair and efficient administration of cross-border insolvencies that protects the interest of all creditors, and other interested entities, including the debtor,” and the “protection and maximization of the value of the debtor’s assets.” 11 U.S.C. § 1501(a)(3) and (4). These Chapter 15 Cases have been commenced to obtain the assistance of this Court in the effective and economical administration of the CCAA Proceeding by, among other things, entering the Recognition Order or the Alternative Recognition Order so that the relief granted by the Canadian Court will apply with respect to the Debtors’ assets in the United States.

28. As set forth more fully in the Memorandum of Law, recognition of the CCAA Proceeding as a foreign main proceeding is appropriate because CPC has satisfied the requirements of section 1517 of the Bankruptcy Code, or in the alternative, as a foreign main proceeding with respect to the Canadian Debtors and a foreign nonmain proceeding with respect to the U.S. Debtors, is appropriate because CPC has satisfied the requirements of section 1517 of the Bankruptcy Code. Additionally, CPC requests that this Court, pursuant to section 1521(a)(6) of the Bankruptcy Code, extend the provisional relief granted on an interim basis in the Amended Provisional Order to final relief applicable in full during the pendency of the Chapter 15 Cases.

29. Section 1517(a) governs CPC’s request for entry of the Recognition Order. Section 1517(a) provides:

Subject to section 1506, after notice and a hearing, an order recognizing a foreign proceeding shall be entered if –

- (1) such foreign proceeding for which recognition is sought is a foreign main proceeding or foreign non-main proceeding within the meaning of section 1502;
- (2) the foreign representative applying for recognition is a person or body; and
- (3) the petition meets the requirements of section 1515.

11 U.S.C. § 1517(a) (emphasis added). The Bankruptcy Code provides further that a foreign proceeding is a “foreign main proceeding” if it is pending in the country where the debtor has its center of main interests. See 11 U.S.C. § 1517(b)(1). A foreign proceeding is a “foreign nonmain proceeding” if it is pending in a country where the debtor has an establishment, which is further defined as “any place of operations where the debtor carries out a nontransitory economic activity.” See 11 U.S.C. §§ 1517(b)(2), 1502(2).

30. Here, the CCAA Proceeding is a foreign main proceeding under the Bankruptcy Code. As described in detail in the Second Baarda Declaration and the Memorandum of Law, British Columbia, Canada is the Debtors’ center of main interests. Richmond, B.C. is the location of the Debtors’ headquarters and is the nerve center of the Debtors’ management, business and operations. Three of the four mills operated by the Debtors are also located in the province of British Columbia. All of the Debtors’ principal corporate, management, banking, and strategic functions are undertaken in Canada, and the Canadian and United States operations are integrated. Indeed, to properly function and operate, the United States Debtors are dependent upon the operations of the Canadian Debtors.⁷ As set forth in detail in the Memorandum of Law, CPC is a

⁷ The Canadian Debtors are as follows: (i) 0606890 B.C. Ltd.; (ii) Catalyst Paper Corporation; (iii) Catalyst Paper Energy Holdings Inc.; (iv) Catalyst Paper General Partnership; (v) Catalyst Pulp and Paper Sales Inc.; (vi) Catalyst Pulp Operations Ltd.; (vii) Catalyst Pulp Sales Inc.; (viii) Elk Falls Pulp and Paper Ltd.; (ix) Pacifica Poplars Ltd. The United States Debtors are as follows: (i) Catalyst Paper Holdings Inc.; (ii) Pacifica Papers U.S. Inc.; (iii) Pacifica Poplars Inc.; (iv) Pacifica Papers Sales Inc.; (v) Catalyst Paper (USA) Inc.; (vi) Catalyst Paper (Recycling) Inc.; (vii) Catalyst Paper (Snowflake) Inc.; (viii) The Apache Railway Company.

properly appointed “foreign representative” pursuant to section 101(24) of the Bankruptcy Code and the Chapter 15 Petitions meet the requirements of section 1515(c) of the Bankruptcy Code. As such, the Bankruptcy Code requirements for recognizing the CCAA Proceeding as a “foreign main proceeding” under the Bankruptcy Code are met.

31. In the alternative, the CCAA Proceeding is at least a foreign nonmain proceeding under the Bankruptcy Code with respect to the U.S. Debtors, and a foreign main proceeding under the Bankruptcy Code with respect to the Canadian Debtors. As described above, and in further detail in the Second Baarda Declaration and the Memorandum of Law, at a minimum, the U.S. Debtors carry out various nontransitory operations, managerial, financing and other economic activities in Canada. The integration of the operations of the U.S. Debtors and the Canadian Debtors, and the dependency of the U.S. Debtors upon the operations of the Canadian Debtors, support the conclusion that the economic activities of the U.S. Debtors in Canada are of a nontransitory nature. The U.S. Debtors, therefore, clearly maintain “establishments” in Canada, where the CCAA Proceeding is pending. As such, the Bankruptcy Code requirements for recognizing the CCAA Proceeding as a “foreign nonmain proceeding” under the Bankruptcy Code are met with respect to the U.S. Debtors.

32. Furthermore, the filing of these Chapter 15 Cases is intended to ensure an orderly administration of the Debtors’ financial affairs and recapitalization, under the auspices of the CCAA Proceeding and applicable Canadian law, in a manner that protects the interests of all creditors. Therefore, recognition of the CCAA Proceeding supports and promotes the policies of chapter 15 and the principles of international comity.

33. It is imperative that no ambiguity exists and that the Initial CCAA Order applies in full in the Chapter 15 Cases so that the Debtors’ United States assets may be administered efficiently and effectively by the Canadian Court, with the assistance of this Court. Accordingly,

CPC requests, in furtherance of recognition of the CCAA Proceeding, that this Court give full force and effect in the United States to the Initial CCAA Order and any additional order of the Canadian Court.

(b) The Initial CCAA Order and the DIP Facility

34. Initial orders in CCAA proceedings provides for certain relief to maintain the *status quo*. Among other things, subject to the terms and conditions of and availability under the DIP Facility and if approved by the Canadian Court, the Debtors will be entitled, but not required, to pay the following expenses, which may have been incurred prior to entry of the Initial CCAA Order.

35. Employee Obligations. The Debtors will be entitled to maintain all of their employee obligations subject to approval by the Canadian Court. Specifically, the Debtors expect to be permitted to pay all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (but excluding severance and termination pay) payable before or after entry of the Initial CCAA Order, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively “Wages”). In addition, the Debtors expect to be authorized to pay all amounts owing to or in respect of individuals working as independent contractors in connection with the Debtors’ business.

36. Critical Vendors. The Debtors are likewise seeking permission to pay all amounts owing for goods and services actually supplied to the Debtors including, without limitation, the following: (a) by chemical suppliers, fiber suppliers, utility and fuel suppliers, old newspaper suppliers and other related products, with the prior consent of the Monitor and the DIP Agent, if, in the opinion of the Debtors, the supplier is critical to the business and ongoing operations of any of the Debtors; (b) by freight and logistics suppliers, third party customs brokers, agents, freight

carriers, freight forwarders, warehousemen, and shippers, with the prior consent of the Monitor and the DIP Agent, if, in the opinion of the Debtors, the party providing the good or service is critical to the business and ongoing operations of any of the Debtors; (c) by other parties providing the good or service, with the prior consent of the Monitor and the DIP Agent, if, in the opinion of the Debtors, the supplier is critical to the business and ongoing operations of any of the Debtors; and (d) with the prior consent of the Monitor and the DIP Agent, all amounts owing to creditors who, prior to the date of the Initial CCAA Order, lawfully retained the Debtors' property or exercised possessory liens against such property.

37. Further, the Initial CCAA Order provides that the Debtors will be subrogated to the rights of any creditor receiving a payment pursuant to the above in the amount of the payment(s) (the total amount paid to each such party constituting a "Critical Supplier Claim"). Each such Critical Supplier Claim will be deemed to be assigned to the Debtors for all purposes and the Debtors will be entitled to vote the Critical Supplier Claims in any plan of reorganization.

38. Finally, because critical vendors and suppliers can be considered the lifeblood of a Company, inasmuch as they provide goods that that will be used to meet customer demands, the Debtors have sought to provide certain protections to such Critical Supplier Claims. Specifically, the Debtors, in connection with seeking approval of the DIP Facility, will seek to grant certain holders of Critical Supplier Claims with a lien a charge on the DIP Collateral, in a capped amount, as security for any amounts owed by the Debtors for the supply of goods or services after entry of the Initial CCAA Order (the "Suppliers Charge").

39. Customer Programs and Other Expenses. In order for the Debtors to preserve value for their constituencies, it is necessary that the Debtors maintain customer relationships and programs in the ordinary course. As such, pursuant to the Initial CCAA Order, the Debtors expect to be permitted to maintain customer programs and pay related expenses. Specifically, the Debtors

expect to be authorized to pay all amounts in respect of customer programs including, inter alia, rebates, adjustments, performance and volume discounts plus all applicable customs and duties.

40. Professional Fees and Expenses of Monitor and Debtor. Finally, in a CCAA Proceeding, it is customary for a Canadian Court to appoint a Monitor to oversee the Debtors' restructuring. It is further customary for the Debtors to pay the fees of the Monitor, its advisors and other professionals related to the restructuring. Here, PWC has been appointed Monitor. Pursuant to the Initial CCAA Order, the Debtors will be authorized to pay the fees and disbursements of the Monitor and the Monitors' advisors. The Debtors are further authorized to pay any advisors retained or employed by the Debtors which are related to the Debtors' restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Debtors, whenever and wherever incurred, in respect of: (a) these proceedings or any other similar proceedings in other jurisdictions in which the Debtors or any subsidiaries or affiliated companies of the Debtors are domiciled; (b) any litigation in which a Debtor is named as a party or is otherwise involved, whether commenced before or after entry of the Initial CCAA Order and (c) any related corporate matters.

41. Prohibited Actions. Except as specifically permitted by the DIP Term Sheet, the Initial CCAA Order states that the Debtors cannot take any of the following actions, until further order of the Canadian Court. The Debtors will not be permitted to be (a) make payments of principal, interest thereon or otherwise on account of amounts owing by the Debtors to any of their creditors as of the entry of the Initial CCAA Order; (b) grant security interests, trusts, mortgages, liens, charges or encumbrances upon or in respect of any of Debtors' property, or borrow under or increase the principal amount secured by any existing security interests, trusts, mortgages, liens, charges or encumbrances upon or in respect of any of Debtors' property, or become a guarantor or surety, nor otherwise become liable in any manner with respect to any other person or entity; (c)

grant credit except in the ordinary course of business only to its customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Debtors to such customers of the entry of the Initial CCAA Order or (d) incur liabilities except in the ordinary course of business.

42. This relief is consistent with the relief afforded under chapter 11 of the Bankruptcy Code and/or otherwise granted by the bankruptcy court applying its broad equitable powers under section 105(a) of the Bankruptcy Code, and is not manifestly contrary to the public policy of the United States. Further, such relief is routinely granted in cases under chapter 15 involving proceedings under the CCAA.

43. DIP Facility. The DIP Lender has agreed to provide the DIP Facility on the terms and conditions set forth in the DIP Term Sheet. CPC and the Debtors believe that the terms of the DIP Term Sheet are reasonable for various reasons. First, funding under the ABL Facility will not be available to the Debtors during the CCAA Proceeding. Second the Debtors have not been able to obtain postpetition financing from any lender or group of lenders on more favorable terms than those outlined in the DIP Term Sheet. Third, the DIP Agent (which also serves as the administrative agent for the ABL Facility) conditioned access to the DIP Facility on the Debtors' ability to maintain their existing cash management system and other financing arrangements, established in connection with the ABL Facility, in place during the pendency of the CCAA Proceeding. Finally, preservation of such arrangements will prove efficient and beneficial for the Debtors' cash management generally. So long as the Debtors can meet these conditions they will have access to the DIP Facility in order to finance adequate working capital for Debtors' operating needs while restructuring other obligations.

44. As noted above, the terms of such financing are set for hearing before the Canadian Court. The DIP Term Sheet provides, in pertinent part, as follows:

- (a) the DIP Facility shall be available on a revolving basis in accordance with the DIP Credit Agreement;
- (b) the proceeds of the DIP Facility shall be used for purposes of providing for general working capital needs (including, without limitation, capital expenditures) and general corporate purposes of the Debtors and to pay for all expenses associated with the DIP Facility, the CCAA Proceeding, and the Chapter 15 Cases, in accordance with the revised cash flow forecast as approved by the Administrative Agent and the Canadian Court;
- (c) the obligations of the Loan Parties under the DIP Loan Documents shall be secured by (i) a fully perfected first-ranking court-ordered charge, except with respect to the 2016 Notes First Charge Collateral and (ii) a fully perfected second-ranking court ordered charge with respect to the 2016 Notes First Charge Collateral (collectively, the “DIP Lender’s Charge”) capped at \$175 million, under the CCAA and recognition thereof under Chapter 15 on all of the existing and after acquired real and personal, tangible and intangible, assets of the Debtors (the “DIP Collateral”),⁸ excluding the equity interests in Powell River Energy Inc. and Powell River Energy Limited Partnership and other equity interests in joint ventures with non-Loan Parties (collectively, together with Powell River Energy Inc. and Powell River Energy Limited

⁸ The “DIP Lenders’ First Lien Collateral” will consist of the DIP Collateral over which the DIP Lender is granted a fully perfected first-ranking court ordered charge or lien.

Partnership, the “JVs”), and assets of any such JVs (or any interest therein) held by a loan party as nominee for any such JV or any party thereto or as tenant in common with any non-loan party, to the extent consent of arms’ length third parties is required to grant a Lien in such JV assets but is not obtained, pursuant to orders of the Canadian Court and this Court in form and substance satisfactory to the DIP Agent and pursuant to the definitive DIP Loan Documents; and

- (d) each loan party shall unconditionally guarantee all of the indebtedness, obligations, and liabilities of each other loan party arising under or in connection with the DIP Loan Documents.

45. Subject to the terms and conditions of and availability under the DIP Facility if approved by the Canadian Court, and except as otherwise provided in the Initial CCAA Order, the Debtors will be entitled, but not required, to pay all expenses reasonably incurred by the Debtors in carrying on business in the ordinary course following entry of the Initial CCAA Order, and in carrying out the provisions of the Initial CCAA Order.

46. For example, subject to the terms and conditions of the DIP Facility, the Debtors will be entitled to pay all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Debtors’ property or the Debtors’ business including, without limitation, payments on account of insurance (including directors’ and officers’ insurance), maintenance and security services, provided that any capital expenditure exceeding \$1,000,000 shall be approved by the Monitor.

47. Additionally, subject to the terms and conditions of and availability under the DIP Facility, the Debtors will be authorized to pay all obligations incurred by the Debtors after entry of the Initial CCAA Order, including without limitation, with respect to goods and services actually

supplied to the Debtors following the entry and Initial CCAA Order (including those under purchase orders outstanding on the Initial CCAA Order date but excluding any interest on the Debtors' obligations incurred prior to the Initial CCAA Order date).

48. Furthermore, subject to the terms and conditions of and availability under the DIP Facility, the Debtors will be authorized the fees and disbursements of any advisors retained or employed by the Debtors, related to the Debtors' restructuring, which may be incurred after entry of the Initial CCAA Order.

49. Status of the ABL Facility. The DIP Term Sheet, to be considered by the Canadian Court on February 3, 2012, contemplates that the Debtors will first apply all pre-filing and post-filing accounts receivable proceeds and account receivable collections in permanent repayment of the all Secured Obligations (as defined in the ABL Facility), and to cash collateralize all contingent obligations forming part of the Secured Obligations as required pursuant to the DIP Loan Documents including any indemnification or payment obligations owing by the Debtors in connection with any existing letters of credit and any existing derivatives transactions.

50. Relative Priorities of Special Charges. It is customary in a CCAA Proceeding to establish liens or charges (the "Charges") as security for special obligations. In connection with seeking approval of the DIP Facility in the CCAA Proceeding, the Debtors will seek approval of certain of the Charges in addition to the DIP Lender's Charge. Specifically, the Debtors will seek to grant the directors and officers of the Debtors the benefit of a lien or charge (the "D&O Charge") on the DIP Collateral, which charge shall not exceed an aggregate amount of \$31,000,000, as security for Debtors' obligations to indemnify their directors and offices against any obligations to make payments in favor of the Crown in right of Canada or of any Province thereof or any other taxation authority as further discussed in the Initial CCAA Order. Further, the Debtors will seek to grant a lien or charge to the Monitor and Debtors' Canadian and U.S. counsel as security for unpaid fees

and expenses (the “Administration Charge”), which shall not exceed the aggregate amount of \$1,500,000. Each of the above noted Charges are all customary within the parameters of a typical CCAA Proceeding.

51. With respect to the Debtors property which constitutes the DIP Lenders’ First Lien Collateral, the priorities of the Charges, the liens securing the obligations in connection with ABL Facility (“ABL Facility Security”) and the liens securing the obligations in connection with the 2016 Notes (the “2016 Notes Security”), as among themselves, the Debtors will seek approval of the following priority scheme: (1) the Administration Charge; (2) the DIP Lender’s Charge; (3) the ABL Facility Security; (4) the Suppliers Charge; (5) the D&O Charge and (6) the 2016 Notes Security.

52. With respect to the Debtors’ property which constitutes 2016 Notes First Lien Collateral, the priority of the Charges, the 2016 Notes Security, the ABL Facility Security, as among themselves, the Debtors will seek approval of the following priority scheme: (1) the Administration Charge; (2) the Suppliers Charge; (3) the D&O Charge; (4) the 2016 Notes Security; (5) the DIP Lender’s Charge and (6) the ABL Facility Security.

53. In connection with seeking approval of the DIP Facility, the Debtors will further seek to implement the following liens or charges on a basis superior to the DIP Facility (the “Permitted Priority Claims”):

- (a) validly perfected purchase money security interests to the extent of the principal obligations outstanding as of the date hereof and otherwise permitted in accordance with the DIP Loan Documents, but in each case, only in respect of the specific purchased or leased property under the arrangements giving rise to the purchase money security interests and

- (b) deemed trusts under subsections 227(4) or (4.1) of the *Income Tax Act* (Canada), subsections 23(3) or (4) of the *Canada Pension Plan* or subsection 86(2) of the *Employment Insurance Act* (Canada).

54. Finally, the Debtors will seek to subordinate, the Administration Charge and D&O Charge to any validly perfected purchase money security interests in favor of secured creditors and any valid statutory encumbrance existing on the date of such court order in favor of any person that is a secured creditor (as defined in the CCAA) in respect of any source deductions from wages, workers compensation, vacation pay and banked overtime for employees.

C. Recognition of the CCAA Proceeding is Consistent with Public Policy

55. Pursuant to section 1506 of the Bankruptcy Code, even if the requirements for recognition provided in section 1517 of the Bankruptcy Code are satisfied, recognition can nevertheless be denied where it would be “manifestly contrary to the public policy of the United States.” 11 U.S.C. § 1506. This “public policy” exception has been narrowly construed to apply to only those “matters of fundamental importance to the [United States].” See, e.g., In re Ephedra Prods. Liab. Litig., 349 B.R. 333, 336 (S.D.N.Y. 2006) (quoting United Nations General Assembly, Guide to Enactment of the UNCITRAL Model Law on Cross-Border Insolvency, ¶ 89, U.N. Doc. A/CN.9/442 (1997)).

56. Here, nothing regarding the recognition of the CCAA Proceeding contravenes United States policy. Indeed, the international coordination of the Debtors’ restructuring will provide an efficient and fair process to all parties in interest while promoting comity and cross-border cooperation. Accordingly, section 1506 of the Bankruptcy Code presents no barrier to either entry of either the Amended Provisional Order, the Recognition Order, or Alternative Recognition Order.

57. Moreover, the policy and principles of international comity will be furthered by recognition of the CCAA Proceeding and enforcement of the Initial CCAA Order. At paragraph [81]

of the Initial CCAA Order, the Canadian Court specifically requests the aid and assistance of this Court in giving effect to the Initial CCAA Order.

58. Finally, numerous bankruptcy courts in this district have granted relief similar to the general relief requested in this Motion. See, e.g., In re Angiotech Pharmaceuticals, Inc., Case No. 11-10269 (Bankr. D. Del. Feb. 22, 2011); In re EarthRenew IP Holdings, LLC, Case No. 10-13363 (Bankr. D. Del Oct. 22, 2010); In re Grant Forest Products, Case No. 10-11132 (Bankr. D. Del. Apr. 19, 2010); In re Fraser Papers, Inc., Case No. 09-12123 (Bankr. D. Del. July 13, 2009); In re Biltrite Rubber (1984), Inc., Case No. 09-31432 (Bankr. N.D. Ohio Apr. 2, 2009). CPC submits that such relief is similarly appropriate in this instance.

NOTICE

59. CPC proposes to notify all creditors of (a) the filing of the Amended Chapter 15 Petitions and the Amended Motion; (b) this Court's entry of the Amended Provisional Order; (c) the deadline to object to this Court's entry of the Recognition Order or Alternative Recognition Order; and (d) the hearing for this Court to consider the Amended Chapter 15 Petitions and entry of the Recognition Order or Alternative Recognition Order, shall be served in a manner consistent with 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"). In light of the nature of the relief requested herein, CPC submits that no other or further notice of this Motion is necessary or required.

CONCLUSION

WHEREFORE, for the reasons set forth herein and in the Second Baarda Declaration, CPC respectfully requests that the Court, after notice and a hearing, (a) enter the Amended Provisional

Order, substantially in the form attached hereto as Exhibit A, (b) enter, after notice and a hearing, the Recognition Order substantially in the form attached hereto as Exhibit B or, in the alternative, enter the Alternative Recognition Order substantially in the form attached hereto as Exhibit C, and (c) grant any such other and further relief as this Court deems just and proper.

Dated: January 31, 2012
Los Angeles, CA

/s/ Van C. Durrer, II
Van C. Durrer, II (I.D. No. 3827)
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
300 South Grand Avenue
Los Angeles, California 90071
(213) 687-5000

Counsel for Catalyst Paper Corporation

EXHIBIT A

Proposed Amended Provisional Order

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

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

**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, 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, 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. 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 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.

8. 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

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.

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

9. 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.

10. A hearing to consider entry of the Recognition Order shall be held on **February __, 2012 at _____ (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, 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 ____, 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 Amended Provisional Order shall be effective immediately and enforceable upon its entry

⁴ Representing an informal group of 2016 Noteholders.

⁵ Representing an informal group of 2014 Noteholders.

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.

13. 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 __, 2012
Wilmington, Delaware

Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Proposed Recognition Order

**(Recognizing CCAA Proceeding as Foreign Main Proceeding
With Respect to All Debtors)**

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

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

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

Upon consideration of the verified amended chapter 15 petitions and the amended motion (the “Amended Motion”)² of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) 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. 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 an amended

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) (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 have the meanings ascribed to such terms in the Motion.

provisional order (the “Amended Provisional Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “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, (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) such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and upon the Amended Provisional Order previously entered by this Court; and the Court having considered any objections and replies; and any objections to the Amended Motion that have not been withdrawn or resolved having been overruled; 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 the Chapter 15 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 it appearing that notice of the Amended Motion has been given as set forth in the Amended Motion and that such notice is adequate and 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. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

B. The Chapter 15 Cases were properly commenced pursuant to sections 1504 and 1515 of the Bankruptcy Code.

C. The Amended Chapter 15 Petitions meet the requirements of section 1515 of the Bankruptcy Code.

D. The CCAA Proceeding is entitled to recognition by this Court pursuant to section 1517 of the Bankruptcy Code.

E. The CCAA Proceeding pending in the Canadian Court, in the location that is the Debtors' center of main interest, constitutes a foreign main proceeding pursuant to section 1502(4) of the Bankruptcy Code and is entitled to recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code.

F. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial CCAA Order, to all of the relief provided pursuant to section 1520 on the Bankruptcy Code.

G. The relief granted herein is necessary and appropriate, in the interest of the public and international comity, consistent with the public policy of the United States, warranted

pursuant to section 1521 of the Bankruptcy Code, and will not cause any hardship to any parties in interest that is not outweighed by the benefits of the relief granted.

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

IT IS HEREBY ORDERED THAT:

1. The Amended Motion is GRANTED.
2. The Amended Chapter 15 Petitions are granted, the CCAA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code and orders that have been or will be made or entered therein are hereby recognized for all purposes under chapter 15 of the Bankruptcy Code, regardless of whether expressly discussed below.
3. The Canadian Orders, including any extensions or amendments thereto, is hereby enforced on a final basis and given full force and effect in the United States.
4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. Specifically, the automatic stay provisions of section 362, and the provisions of section 363 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court; provided, however, that nothing in this paragraph 4 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 in the Canadian Orders and subject to the terms and conditions set forth therein as further noted below.
5. Upon entry of this 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, 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, 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.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted pursuant to the Amended Provisional Order pursuant to section 1519(a) of the Bankruptcy Code is hereby extended on a final basis.

7. 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) or 1521(d) of the Bankruptcy Code.

8. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CCAA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The Amended Chapter 15 Petitions, the Amended Motion, the Amended Provisional Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 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. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) neither CPC, nor the DIP Lender, is subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition 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 Recognition Order.

11. This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of this Recognition Order, any requests for additional relief or any adversary proceeding brought in and through the Chapter 15 Cases, and any request by an entity for relief from the provisions of this Recognition Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: February __, 2012
Wilmington, Delaware

Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

Proposed Recognition Order

**(Recognizing CCAA Proceeding as
Foreign Main Proceeding With Respect to Canadian Debtors
and as Foreign Nonmain Proceeding With Respect to U.S. Debtors)**

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

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

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

Upon consideration of the verified amended chapter 15 petitions and the amended motion (the “Amended Motion”)² of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) 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. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57 pending before the Supreme Court of British

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 have the meanings ascribed to such terms in the Motion.

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 an amended provisional order (the “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 this final order (this “Recognition Order”) after a notice and a hearing (i) granting the amended petitions in these cases, (ii) 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 with respect to the U.S. Debtors and (iii) 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, (c) such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and upon the Amended Provisional Order previously entered by this Court; and the Court having considered any objections and replies; and any objections to the Amended Motion that have not been withdrawn or resolved having been overruled; 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 the Chapter 15 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 it appearing that notice of the Amended Motion has been given as set forth in the Amended Motion and that such notice is adequate and 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. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

B. The Chapter 15 Cases were properly commenced pursuant to sections 1504 and 1515 of the Bankruptcy Code.

C. The Amended Chapter 15 Petitions meet the requirements of section 1515 of the Bankruptcy Code.

D. The CCAA Proceeding is entitled to recognition by this Court pursuant to section 1517 of the Bankruptcy Code.

E. With respect to the Canadian Debtors, the CCAA Proceeding pending in the Canadian Court, in the location that is the Canadian Debtors' center of main interest, constitutes a foreign main proceeding pursuant to section 1502(4) of the Bankruptcy Code and is entitled to recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code.

F. With respect to the U.S. Debtors, the CCAA Proceeding pending in the Canadian Court, in the location where the U.S. Debtors each have an establishment within the

meaning of section 1502(2) of the Bankruptcy Code, constitutes a foreign nonmain proceeding pursuant to section 1502(5) of the Bankruptcy Code.

G. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial CCAA Order, to all of the relief provided pursuant to section 1520 of the Bankruptcy Code.

H. The relief granted herein is necessary and appropriate, in the interest of the public and international comity, consistent with the public policy of the United States, warranted pursuant to sections 1520 and 1521 of the Bankruptcy Code, and will not cause any hardship to any parties in interest that is not outweighed by the benefits of the relief granted.

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

IT IS HEREBY ORDERED THAT:

1. The Amended Motion is GRANTED.
2. The Amended Chapter 15 Petitions are granted. The CCAA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors. The CCAA Proceeding is hereby recognized as a “foreign nonmain proceeding” pursuant to section 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors. Orders that have been or will be made or entered in the CCAA Proceeding are hereby recognized for all purposes under chapter 15 of the Bankruptcy Code, regardless of whether expressly discussed below.
3. The Canadian Orders, including any extensions or amendments thereto, are hereby enforced and recognized on a final basis and given full force and effect in the United States.

4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. To the extent not automatically conferred upon certain of the Debtors, all relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation through the operation of section 1521 of the Bankruptcy Code. Specifically, the automatic stay provisions of section 362 and the provisions of section 365 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court; provided, however, that nothing in this paragraph 4 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 in the Canadian Orders and subject to the terms and conditions set forth therein as further noted below.

5. Upon entry of this 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, 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, 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.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted pursuant to the Amended Provisional Order pursuant to section 1519(a) of the Bankruptcy Code is hereby extended on a final basis.

7. 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) or 1521(d) of the Bankruptcy Code.

8. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CCAA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The Amended Chapter 15 Petitions, the Amended Motion, the Amended Provisional Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 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. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) neither CPC, nor the DIP Lender, is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition 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 Recognition Order.

11. This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of this Recognition Order, any requests for additional relief or any

adversary proceeding brought in and through the Chapter 15 Cases, and any request by an entity for relief from the provisions of this Recognition Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: February __, 2012
Wilmington, Delaware

Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE

File a Motion:12-10221-PJW Catalyst Paper Corporation

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: MEGA, LEAD

U.S. Bankruptcy Court**District of Delaware**

Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 1/31/2012 at 4:23 PM EST and filed on 1/31/2012

Case Name: Catalyst Paper Corporation**Case Number:** 12-10221-PJW**Document Number:** 38**Docket Text:**

Amended Motion to Authorize *Provisional Relief and Final Recognition of a Foreign Proceeding Pursuant to 11 U.S.C. Sections 105(a), 1517, 1519, 1520 and 1521* Filed by Catalyst Paper Corporation. (Attachments: # (1) Exhibit A - Proposed Amended Provisional Order# (2) Exhibit B - Proposed Recognition Order# (3) Exhibit C - Proposed Recognition Order) (Durrer, Van)

The following document(s) are associated with this transaction:

Document description:Main Document**Original filename:**H:\temp\convert\AMENDED MOTION FOR PROV RELIEF - FILING VERSION.pdf**Electronic document Stamp:**

[STAMP bkecfStamp_ID=983460418 [Date=1/31/2012] [FileNumber=10487046-0]
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Document description:Exhibit A - Proposed Amended Provisional Order**Original filename:**Amended Motion - Ex A.pdf**Electronic document Stamp:**

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Document description:Exhibit B - Proposed Recognition Order**Original filename:**Amended Motion - Ex B.pdf**Electronic document Stamp:**

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Document description:Exhibit C - Proposed Recognition Order**Original filename:**Amended Motion - Ex C.pdf**Electronic document Stamp:**

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