

<div style="display: flex; justify-content: space-between;"> <div style="width: 50%;"> <p>In re:</p> <p>CATALYST PAPER CORP., <u>et al.</u>,</p> <p style="text-align: center;">Debtors.<sup>1</sup></p> </div> <div style="width: 5%; text-align: center;"> <p>x</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>x</p> </div> <div style="width: 45%;"> <p>Chapter 15</p> <p>Case No. 12- 10221 (PJW)</p> <p>Joint Administration Pending</p> </div> </div>
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I, Bill Kaplan, Q.C., hereby declare as follows:

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 (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 2<sup>nd</sup> 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. I am a senior partner with the Canadian Firm of Blake, Cassels & Graydon LLP, 2600 – 595 Burrard Street, Vancouver, British Columbia V7X 1L3. I am counsel to the Debtor Catalyst Paper Corporation, whose Canadian proceeding is pending before the Canadian Court (as defined below), and the other Debtors who are subject to Catalyst Paper Corporation's Canadian proceeding.

3. I graduated from the University of British Columbia with a bachelor of laws in 1979, from Harvard University with a master of laws in 1981 and was admitted to the British Columbia Bar in 1980. I practice in civil litigation with a focus on corporate/commercial matters and insolvency law.

4. I am a member of the Insolvency Institute of Canada and I have given numerous lectures and written numerous articles on topics focusing on insolvency law and corporate reorganizations.

5. My expertise in insolvency and financial restructuring has been recently recognized by three different publications: *The Best Lawyers in Canada*, *Lexpert Directory*, and *The International Who's Who of Insolvency & Restructuring*.

6. This Declaration is comprised of matters that are statements of legal opinion and/or statements of fact. Where the matters stated in this Declaration are statements of legal opinion, such statements represent my view of Canadian law as a Lawyer admitted and licensed to practice in British Columbia, Canada.

7. Where the matters stated in this Declaration are statements of fact that are within my personal knowledge, they are true. Where the matters stated in this Declaration are statements of

fact that are not within my personal knowledge, they are derived from documents and/or information supplied to me by or on behalf of the Debtors and are true to the best of my knowledge, information, and belief.

#### **A. Introduction**

8. On January 17, 2012, Catalyst Paper Corporation, the ultimate parent company of the other Debtors, filed an application with the Supreme Court of British Columbia (the “Canadian Court”) pursuant to sections 192(3) and 192(4) of the *Canada Business Corporations Act* (the “CBCA”) for an order, *inter alia*, approving a proposed plan of arrangement of the Debtors (the “Arrangement”).

#### **B. Overview of the CBCA Restructuring Process**

9. The CBCA is the Canadian statute that governs federally incorporated businesses, not including banks, insurance, and trust and loan companies. Section 192 of the CBCA governs corporate reorganizations of the type sought in the Canadian proceeding. The CBCA contemplates a flexible procedure referred to as an “arrangement” through which corporate reorganization and acquisition transactions may be implemented.<sup>2</sup> Unlike other transaction structures, an arrangement is a Court-supervised process whereby an applicant corporation applies to the relevant superior court of a Province for an interim order setting the ground rules

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<sup>2</sup> Section 192(1) of the CBCA defines “arrangement” in a non-exhaustive fashion to include: (a) an amendment to the articles of a corporation; (b) an amalgamation of two or more corporations; (c) an amalgamation of a body corporate with a corporation that results in an amalgamated corporation subject to the CBCA; (d) a division of the business carried on by a corporation; (e) a transfer of all or substantially all of the property of a corporation to another body corporate in exchange for the property, money, or securities of the other body corporate; (f) an exchange of securities of a corporation for property, money, or other securities of the corporation or property, money, or securities of another body corporate; (g) a going-private transaction or a squeeze-out transaction in relation to the corporation; (h) a liquidation and dissolution of a corporation; and (i) any combination of the foregoing.

for the arrangement transaction. An arrangement typically requires the approval of the corporation's board of directors and, depending on the circumstances, the shareholders, and must be judicially determined to be "fair and reasonable" to be approved by a Court. Canadian Courts have interpreted the definition of an "arrangement" broadly to encompass novel, complex, and unique transactions, including the compromise of debt and securities.

10. A CBCA arrangement can affect the interests of non-CBCA entities. While all of the applicants to the Canadian proceeding are CBCA corporations, the arrangement will also affect the interests of the U.S. Debtors. Canadian Courts have arranged non-CBCA entities along with CBCA entities in the context of mergers. For example, in *Arrangement relatif à Molson*, [2004] Q.J. No. 13366, Lalonde J. of the Quebec Superior Court sanctioned an arrangement between Molson (a CBCA corporation) and Coors (a Delaware Corporation) that had the effect of a cross-border merger. In addition, Canadian Courts have arranged non-CBCA entities along with CBCA entities in the context of a debt compromise. For example, the CBCA arrangement of Ainsworth Lumber Co. Ltd., in which I was personally involved, involved an amalgamation of entities that were incorporated under the CBCA and the equivalent statute in British Columbia, as well as a partnership formed in British Columbia. Finally in *Re: Acadian Timber Income Fund*, [2009] O.J. No. 5517 (S.C.J.), Justice Pepall of the Ontario Superior Court of Justice, recently confirmed that section 192 could be used to effect an arrangement in which the applicants included a limited partnership, an income trust, and three CBCA corporations.

11. Upon application to the Court for an order approving the arrangement, an initial appearance is made before the Court for an interim order which will specify such items as the manner in which a special meeting of the securityholders will be called (e.g. proxy materials to be distributed, notice periods, time and place of meeting, etc.), the persons entitled to vote at the

meeting, whether any classes of persons will be entitled to a separate class vote and the approval thresholds required to approve the arrangement. Once the meeting is held and the arrangement resolution passed by the required majority, the applicant corporation requests a final order approving the arrangement. If the Court is satisfied as to the “fairness” of the arrangement, it will grant a final order approving the arrangement. The arrangement is then affected by filing articles of arrangement under the CBCA.

12. Canadian Courts generally use a 3-pronged test when hearing an application for the final approval of a plan of arrangement:

- (a) Whether the statutory procedures have been met;
- (b) Whether the application has been put forward in good faith; and
- (c) Whether the plan of arrangement is fair and reasonable.

13. Parties impaired by the proposed plan of arrangement have standing to challenge such plan, and all parties can appear before the CBCA Judge and argue that they are impaired by the arrangement – thereby having standing to object.

14. An arrangement is often a preferred transaction structure due to its substantial flexibility. In particular, arrangements are not circumscribed by the takeover bid rules or the structural parameters set by other forms of corporate transactions (e.g., amalgamations and capital reorganizations), and, importantly, arrangements facilitate structuring, financing and tax planning objectives by enabling an acquirer (and a target) to set out the precise series of steps that must occur prior to, at, and following the effective time, of an arrangement.

15. The CBCA provides three main regulatory limits on transactions that can proceed as an arrangement:

- (a) It must not be practicable for the corporation to affect the proposed transaction under any other provision of the CBCA;
- (b) The applicant corporation must not be insolvent (subject to the case law exceptions stated below); and
- (c) The arrangement provisions of the CBCA may only be used in circumstances where the corporation proposes to effect a “fundamental change” in the nature of an arrangement.

16. British Columbia doctrine and Canadian case law indicate that plans of arrangement may proceed where an applicant, insolvent at the time of the interim order, is solvent at the date of the final order. Moreover, a number of decisions have confirmed the solvency requirement is met where at least one of the corporate applicants to the Canadian Court is solvent. In this case, the solvency test is met because one of the applicants, Echelon Paper Corporation, is solvent at the time of the Interim Order and all of the applicants will be solvent upon implementation of the Arrangement in accordance with the final Order of the Canadian proceeding (the “Final Order”).

17. It is further submitted that the provisions of the Canadian Interim Order attached as Exhibit “1” are appropriate and advisable, and provide for procedural fairness with respect to the manner in which the subsequent events will proceed. The provisions ensure:

- (a) That the lenders and shareholders are properly notified of the Arrangement and have an opportunity to consider the Arrangement and its effect;

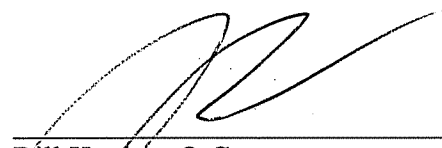
- (b) That the lenders have the opportunity to express their views on the Arrangement in the context of meetings;
- (c) That there is sufficient and appropriate approval of the Arrangement by the lenders as necessary;
- (d) That approval by the Canadian Court does not require a shareholder vote; and
- (e) That the lenders and shareholders have the opportunity to attend and make submissions at the hearing for the Final Order to consider whether the proposed Arrangement is fair and reasonable and whether it should be approved.

18. Based on the foregoing, I believe that the relief requested in the Debtors' Chapter 15 Cases is well-justified, necessary to a successful reorganization of the Debtors, and in the best interests of the Debtors and their creditors and should be granted in full.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: January 17, 2012

Vancouver, British Columbia, Canada



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Bill Kaplan, Q.C.  
Blake, Cassels & Graydon LLP  
Barristers & Solicitors  
Suite 2600, Three Bentall Centre  
595 Burrard Street, PO Box 49314  
Vancouver, BC V7X 1L3

**Miscellaneous:**[12-10221-PJW Catalyst Paper Corporation](#)

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: VerifDue

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

## Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 1/17/2012 at 10:14 PM EST and filed on 1/17/2012

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Declaration of *Bill Kaplan* Filed by Catalyst Paper Corporation. (Durrer, Van)

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

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af09956d128e5f9906fa4d357382d0e50859f4809fc32ce34a9b1ee56689a]]

**12-10221-PJW Notice will be electronically mailed to:**

Van C. Durrer on behalf of Debtor Catalyst Paper Corporation

van.durrer@skadden.com,

debank@skadden.com;christopher.heaney@skadden.com;wendy.lamanna@skadden.com;annie.li@skadden.com

United States Trustee

USTPREGION03.WL.ECF@USDOJ.GOV

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