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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------|-------------------------------------------------|---------------------------------------------------|------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| UNITED STATES BANKRUPTCY COURT<br>District of Delaware                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | AMENDED<br>VOLUNTARY PETITION                                                                                   |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Name of Debtor (if individual, enter Last, First, Middle):<br>Elk Falls Pulp and Paper Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Name of Joint Debtor (Spouse) (Last, First, Middle):                                                            |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| All Other Names used by the Debtor in the last 8 years<br>(include married, maiden, and trade names):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | All Other Names used by the Joint Debtor in the last 8 years<br>(include married, maiden, and trade names):     |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN<br>(if more than one, state all):<br>CBN 88497 9493 RC001                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN)/Complete EIN<br>(if more than one, state all): |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Street Address of Debtor (No. and Street, City, and State):<br>2nd Floor, 3600 Lysander Lane<br>Richmond, British Columbia, Canada<br>ZIP CODE V7B1C3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Street Address of Joint Debtor (No. and Street, City, and State):<br>ZIP CODE                                   |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| County of Residence or of the Principal Place of Business:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | County of Residence or of the Principal Place of Business:                                                      |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Mailing Address of Debtor (if different from street address):<br>ZIP CODE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Mailing Address of Joint Debtor (if different from street address):<br>ZIP CODE                                 |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Location of Principal Assets of Business Debtor (if different from street address above):<br>ZIP CODE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Type of Debtor<br>(Form of Organization)<br>(Check <b>one</b> box.)<br><br><input type="checkbox"/> Individual (includes Joint Debtors)<br><i>See Exhibit D on page 2 of this form.</i><br><input checked="" type="checkbox"/> Corporation (includes LLC and LLP)<br><input type="checkbox"/> Partnership<br><input type="checkbox"/> Other (If debtor is not one of the above entities, check<br>this box and state type of entity below.)                                                                                                                                                                                                                           |                                                | Nature of Business<br>(Check <b>one</b> box.)<br><br><input type="checkbox"/> Health Care Business<br><input type="checkbox"/> Single Asset Real Estate as defined in<br>11 U.S.C. § 101(51B)<br><input type="checkbox"/> Railroad<br><input type="checkbox"/> Stockbroker<br><input type="checkbox"/> Commodity Broker<br><input type="checkbox"/> Clearing Bank<br><input checked="" type="checkbox"/> Other |                                                   | Chapter of Bankruptcy Code Under Which<br>the Petition is Filed (Check <b>one</b> box.)<br><br><input type="checkbox"/> Chapter 7<br><input type="checkbox"/> Chapter 9<br><input type="checkbox"/> Chapter 11<br><input type="checkbox"/> Chapter 12<br><input type="checkbox"/> Chapter 13<br><input checked="" type="checkbox"/> Chapter 15 Petition for<br>Recognition of a Foreign<br>Main Proceeding<br><input type="checkbox"/> Chapter 15 Petition for<br>Recognition of a Foreign<br>Nonmain Proceeding                                                                                                                                                                                                                                                                            |                                                                                                                 |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Chapter 15 Debtors<br>Country of debtor's center of main interests:<br>Canada<br><br>Each country in which a foreign proceeding by, regarding, or<br>against debtor is pending:<br>Canada                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                | Tax-Exempt Entity<br>(Check box, if applicable.)<br><br><input type="checkbox"/> Debtor is a tax-exempt organization<br>under title 26 of the United States<br>Code (the Internal Revenue Code).                                                                                                                                                                                                               |                                                   | Nature of Debts<br>(Check <b>one</b> box.)<br><br><input type="checkbox"/> Debts are primarily consumer<br>debts, defined in 11 U.S.C.<br>§ 101(8) as "incurred by an<br>individual primarily for a<br>personal, family, or<br>household purpose."<br><input checked="" type="checkbox"/> Debts are<br>primarily<br>business debts.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                 |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Filing Fee (Check one box.)<br><br><input checked="" type="checkbox"/> Full Filing Fee attached.<br><br><input type="checkbox"/> Filing Fee to be paid in installments (applicable to individuals only). Must attach<br>signed application for the court's consideration certifying that the debtor is<br>unable to pay fee except in installments. Rule 1006(b). See Official Form 3A.<br><br><input type="checkbox"/> Filing Fee waiver requested (applicable to chapter 7 individuals only). Must<br>attach signed application for the court's consideration. See Official Form 3B.                                                                                |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   | Chapter 11 Debtors<br><br>Check one box:<br><input type="checkbox"/> Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D).<br><input type="checkbox"/> Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D).<br><br>Check if:<br><input type="checkbox"/> Debtor's aggregate noncontingent liquidated debts (excluding debts owed to<br>insiders or affiliates) are less than \$2,343,300 (amount subject to adjustment<br>on 4/01/13 and every three years thereafter).<br>-----<br>Check all applicable boxes:<br><input type="checkbox"/> A plan is being filed with this petition.<br><input type="checkbox"/> Acceptances of the plan were solicited prepetition from one or more classes<br>of creditors, in accordance with 11 U.S.C. § 1126(b). |                                                                                                                 |                                                        |                                                         |                                                       |                                                           |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Statistical/Administrative Information<br><br><input checked="" type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors.<br><input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for<br>distribution to unsecured creditors.                                                                                                                                                                                                                                                                                      |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 |                                                        |                                                         |                                                       | THIS SPACE IS FOR<br>COURT USE ONLY                       |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Estimated Number of Creditors<br><table><tr><td><input type="checkbox"/> 1-49</td><td><input type="checkbox"/> 50-99</td><td><input type="checkbox"/> 100-199</td><td><input type="checkbox"/> 200-999</td><td><input checked="" type="checkbox"/> 1,000-5,000</td><td><input type="checkbox"/> 5,001-10,000</td><td><input type="checkbox"/> 10,001-25,000</td><td><input type="checkbox"/> 25,001-50,000</td><td><input type="checkbox"/> 50,001-100,000</td><td><input type="checkbox"/> Over 100,000</td></tr></table>                                                                                                                                            |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 |                                                        |                                                         |                                                       |                                                           | <input type="checkbox"/> 1-49                  | <input type="checkbox"/> 50-99                  | <input type="checkbox"/> 100-199                  | <input type="checkbox"/> 200-999                     | <input checked="" type="checkbox"/> 1,000-5,000       | <input type="checkbox"/> 5,001-10,000                  | <input type="checkbox"/> 10,001-25,000                  | <input type="checkbox"/> 25,001-50,000                  | <input type="checkbox"/> 50,001-100,000                   | <input type="checkbox"/> Over 100,000                     |
| <input type="checkbox"/> 1-49                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <input type="checkbox"/> 50-99                 | <input type="checkbox"/> 100-199                                                                                                                                                                                                                                                                                                                                                                               | <input type="checkbox"/> 200-999                  | <input checked="" type="checkbox"/> 1,000-5,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <input type="checkbox"/> 5,001-10,000                                                                           | <input type="checkbox"/> 10,001-25,000                 | <input type="checkbox"/> 25,001-50,000                  | <input type="checkbox"/> 50,001-100,000               |                                                           | <input type="checkbox"/> Over 100,000          |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Estimated Assets<br><table><tr><td><input type="checkbox"/> \$0 to \$50,000</td><td><input type="checkbox"/> \$50,001 to \$100,000</td><td><input type="checkbox"/> \$100,001 to \$500,000</td><td><input type="checkbox"/> \$500,001 to \$1 million</td><td><input type="checkbox"/> \$1,000,001 to \$10 million</td><td><input type="checkbox"/> \$10,000,001 to \$50 million</td><td><input type="checkbox"/> \$50,000,001 to \$100 million</td><td><input type="checkbox"/> \$100,000,001 to \$500 million</td><td><input type="checkbox"/> \$500,000,001 to \$1 billion</td><td><input checked="" type="checkbox"/> More than \$1 billion</td></tr></table>      |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 |                                                        |                                                         |                                                       |                                                           | <input type="checkbox"/> \$0 to \$50,000       | <input type="checkbox"/> \$50,001 to \$100,000  | <input type="checkbox"/> \$100,001 to \$500,000   | <input type="checkbox"/> \$500,001 to \$1 million    | <input type="checkbox"/> \$1,000,001 to \$10 million  | <input type="checkbox"/> \$10,000,001 to \$50 million  | <input type="checkbox"/> \$50,000,001 to \$100 million  | <input type="checkbox"/> \$100,000,001 to \$500 million | <input type="checkbox"/> \$500,000,001 to \$1 billion     | <input checked="" type="checkbox"/> More than \$1 billion |
| <input type="checkbox"/> \$0 to \$50,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <input type="checkbox"/> \$50,001 to \$100,000 | <input type="checkbox"/> \$100,001 to \$500,000                                                                                                                                                                                                                                                                                                                                                                | <input type="checkbox"/> \$500,001 to \$1 million | <input type="checkbox"/> \$1,000,001 to \$10 million                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <input type="checkbox"/> \$10,000,001 to \$50 million                                                           | <input type="checkbox"/> \$50,000,001 to \$100 million | <input type="checkbox"/> \$100,000,001 to \$500 million | <input type="checkbox"/> \$500,000,001 to \$1 billion | <input checked="" type="checkbox"/> More than \$1 billion |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |
| Estimated Liabilities<br><table><tr><td><input type="checkbox"/> \$0 to \$50,000</td><td><input type="checkbox"/> \$50,001 to \$100,000</td><td><input type="checkbox"/> \$100,001 to \$500,000</td><td><input type="checkbox"/> \$500,001 to \$1 million</td><td><input type="checkbox"/> \$1,000,001 to \$10 million</td><td><input type="checkbox"/> \$10,000,001 to \$50 million</td><td><input type="checkbox"/> \$50,000,001 to \$100 million</td><td><input type="checkbox"/> \$100,000,001 to \$500 million</td><td><input type="checkbox"/> \$500,000,001 to \$1 billion</td><td><input checked="" type="checkbox"/> More than \$1 billion</td></tr></table> |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 |                                                        |                                                         |                                                       | <input type="checkbox"/> \$0 to \$50,000                  | <input type="checkbox"/> \$50,001 to \$100,000 | <input type="checkbox"/> \$100,001 to \$500,000 | <input type="checkbox"/> \$500,001 to \$1 million | <input type="checkbox"/> \$1,000,001 to \$10 million | <input type="checkbox"/> \$10,000,001 to \$50 million | <input type="checkbox"/> \$50,000,001 to \$100 million | <input type="checkbox"/> \$100,000,001 to \$500 million | <input type="checkbox"/> \$500,000,001 to \$1 billion   | <input checked="" type="checkbox"/> More than \$1 billion |                                                           |
| <input type="checkbox"/> \$0 to \$50,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <input type="checkbox"/> \$50,001 to \$100,000 | <input type="checkbox"/> \$100,001 to \$500,000                                                                                                                                                                                                                                                                                                                                                                | <input type="checkbox"/> \$500,001 to \$1 million | <input type="checkbox"/> \$1,000,001 to \$10 million                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <input type="checkbox"/> \$10,000,001 to \$50 million                                                           | <input type="checkbox"/> \$50,000,001 to \$100 million | <input type="checkbox"/> \$100,000,001 to \$500 million | <input type="checkbox"/> \$500,000,001 to \$1 billion | <input checked="" type="checkbox"/> More than \$1 billion |                                                |                                                 |                                                   |                                                      |                                                       |                                                        |                                                         |                                                         |                                                           |                                                           |

|                                                                                                                                       |  |                                                               |                                   |
|---------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------|-----------------------------------|
| <b>Voluntary Petition</b><br><i>(This page must be completed and filed in every case.)</i>                                            |  | Name of Debtor(s):<br><b>Elk Falls Pulp and Paper Limited</b> |                                   |
| <b>All Prior Bankruptcy Cases Filed Within Last 8 Years</b> (If more than two, attach additional sheet.)                              |  |                                                               |                                   |
| Location<br>Where Filed: N/A                                                                                                          |  | Case Number:                                                  | Date Filed:                       |
| Location<br>Where Filed:                                                                                                              |  | Case Number:                                                  | Date Filed:                       |
| <b>Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor</b> (If more than one, attach additional sheet.) |  |                                                               |                                   |
| Name of Debtor:<br><b>See Attachment A</b>                                                                                            |  | Case Number:<br><b>Pending</b>                                | Date Filed:<br><b>Date Hereof</b> |
| District:<br>District of Delaware                                                                                                     |  | Relationship:<br><b>Affiliate</b>                             | Judge:<br><b>Pending</b>          |

**Exhibit A**

(To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.)

☐ Exhibit A is attached and made a part of this petition.

**Exhibit B**

(To be completed if debtor is an individual whose debts are primarily consumer debts.)

I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I have delivered to the debtor the notice required by 11 U.S.C. § 342(b).

X \_\_\_\_\_  
 Signature of Attorney for Debtor(s) (Date)

**Exhibit C**

Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety?

☐ Yes, and Exhibit C is attached and made a part of this petition.

☒ No.

**Exhibit D**

(To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.)

☐ Exhibit D, completed and signed by the debtor, is attached and made a part of this petition.

If this is a joint petition:

☐ Exhibit D, also completed and signed by the joint debtor, is attached and made a part of this petition.

**Information Regarding the Debtor - Venue**  
 (Check any applicable box.)

☐ Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.

☒ There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.

☒ Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.

**Certification by a Debtor Who Resides as a Tenant of Residential Property**  
 (Check all applicable boxes.)

☐ Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.)

\_\_\_\_\_  
 (Name of landlord that obtained judgment)

\_\_\_\_\_  
 (Address of landlord)

☐ Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and

☐ Debtor has included with this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.

☐ Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(l)).

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Voluntary Petition</b><br><i>(This page must be completed and filed in every case.)</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Name of Debtor(s):<br><b>Elk Falls Pulp and Paper Limited</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Signatures</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p style="text-align: center;"><b>Signature(s) of Debtor(s) (Individual/Joint)</b></p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct.<br/>         [If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12 or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.<br/>         [If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. § 342(b).</p> <p>I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.</p> <p>X _____<br/>         Signature of Debtor</p> <p>X _____<br/>         Signature of Joint Debtor</p> <p>_____<br/>         Telephone Number (if not represented by attorney)</p> <p>_____<br/>         Date</p> | <p style="text-align: center;"><b>Signature of a Foreign Representative</b></p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.</p> <p>(Check only <b>one</b> box.)</p> <p><input checked="" type="checkbox"/> I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. § 1515 are attached.</p> <p><input type="checkbox"/> Pursuant to 11 U.S.C. § 1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.</p> <p>X <u>/s/ Brian Baarda</u><br/>         (Signature of Foreign Representative)</p> <p><u>Brian Baarda</u><br/>         (Printed Name of Foreign Representative)</p> <p><u>01/31/2012</u><br/>         Date</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p style="text-align: center;"><b>Signature of Attorney*</b></p> <p>X <u>/s/ Van C. Durrer</u><br/>         Signature of Attorney for Debtor(s)<br/> <u>Van C. Durrer, II (ID No. 3827)</u><br/>         Printed Name of Attorney for Debtor(s)<br/> <u>Skadden, Arps, Slate, Meagher &amp; Flom LLP</u><br/>         Firm Name</p> <p><u>300 S. Grand Avenue</u><br/> <u>Los Angeles, CA 90071</u><br/>         Address<br/> <u>213-687-5000</u><br/>         Telephone Number<br/> <u>01/31/2012</u><br/>         Date</p> <p><small>*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.</small></p>                                                                                                                                                                                                                                                                                      | <p style="text-align: center;"><b>Signature of Non-Attorney Bankruptcy Petition Preparer</b></p> <p>I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.</p> <p>_____<br/>         Printed Name and title, if any, of Bankruptcy Petition Preparer</p> <p>_____<br/>         Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social-Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)</p> <p>_____<br/>         Address</p> <p>X _____<br/>         Signature</p> <p>_____<br/>         Date</p> <p>Signature of bankruptcy petition preparer or officer, principal, responsible person, or partner whose Social-Security number is provided above.</p> <p>Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual.</p> <p>If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.</p> <p><i>A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both. 11 U.S.C. § 110; 18 U.S.C. § 156.</i></p> |
| <p style="text-align: center;"><b>Signature of Debtor (Corporation/Partnership)</b></p> <p>I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.</p> <p>The debtor requests the relief in accordance with the chapter of title 11, United States Code, specified in this petition.</p> <p>X _____<br/>         Signature of Authorized Individual</p> <p>_____<br/>         Printed Name of Authorized Individual</p> <p>_____<br/>         Title of Authorized Individual</p> <p>_____<br/>         Date</p>                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## **ATTACHMENT A**

### **1. Pending Bankruptcy Cases Filed by Affiliates of the Debtor**

Concurrently herewith, each of the affiliated entities listed below filed an amended petition in this Court for relief under chapter 15 of title 11 of the United States Code, 11 U.S.C. §§ 101 – 1532.

- a. 0606089 B.C. Ltd.
- b. Catalyst Paper Corporation (“CPC”)
- c. Catalyst Paper Energy Holdings, Inc.
- d. Catalyst Paper General Partnership
- e. Catalyst Paper Holdings Inc.
- f. Catalyst Paper (USA) Inc.
- g. Catalyst Paper (Recycling) Inc.
- h. Catalyst Paper (Snowflake) Inc.
- i. Catalyst Pulp and Paper Sales Inc.
- j. Catalyst Pulp Operations Ltd.
- k. Catalyst Pulp Sales Inc.
- l. Elk Falls Pulp and Paper Ltd.
- m. Pacifica Papers U.S. Inc.
- n. Pacifica Papers Sales Inc.
- o. Pacifica Poplars Inc.
- p. Pacifica Poplars Ltd.
- q. The Apache Railway Company

These cases are jointly administered, pursuant to this Court’s *Order Authorizing Joint Administration* [Docket No. 20].

### **2. Location of Principal Assets of the Debtor**

2<sup>nd</sup> Floor, 3600 Lysander Lane  
Richmond, BC V7B 1C3  
Canada

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

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

**CORPORATE OWNERSHIP STATEMENT OF  
ELK FALLS PULP AND PAPER LTD. PURSUANT TO  
BANKRUPTCY RULES 1007(a)(4) AND 7007.1**

Elk Falls Pulp and Paper Ltd. is a wholly-owned subsidiary of Catalyst Paper Corporation, a corporation organized under the Canada Business Corporations Act. For a list of the direct corporate owner(s) of each of the Debtors, refer to the corporate ownership statement included with the amended chapter 15 petition of Catalyst Paper Corporation, filed contemporaneously herewith.

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<sup>1</sup> 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 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.



No. S120712  
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*,  
R.S.C. 1985, c. C-44

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,  
S.B.C. 2002, c. 57

AND

IN THE MATTER OF CATALYST PAPER CORPORATION  
AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE

MR JUSTICE SEWELL

)  
)  
)

31/January/2012

THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 31<sup>st</sup> day of January, 2012 (the "**Order Date**"); AND ON HEARING, Bill Kaplan, Q.C., and Peter Rubin, counsel for the Petitioners, Peter Reardon, counsel for JPMorgan Chase Bank, N.A. ("**JPMorgan**") in its capacity as administrative agent under the DIP Credit Agreement (in such capacity, the "**DIP Agent**"), John Grieve and Kibben Jackson, counsel for the Proposed Monitor PricewaterhouseCoopers Inc. ("**PwC**"), and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed, including the First Affidavit of Brian Baarda

affirmed January 31, 2012 (the "**Baarda Affidavit**"), the Second Affidavit of Brian Baarda affirmed January 31, 2012, the Third Affidavit of Brian Baarda affirmed January 31, 2012, the First Affidavit of Jyotika Reddy affirmed January 31, 2012 and the consent of PwC to act as Monitor; AND UPON BEING ADVISED that the secured creditors and others who are likely to be affected by the charges created herein were given notice; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "**CCAA**"), the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

### **JURISDICTION**

1. The Petitioners are companies to which the CCAA applies. Catalyst Paper General Partnership, a general partnership (the "**Partnership**") and its Property (defined below) shall enjoy the benefits of the protections provided to the Petitioners, and shall be subject to the same restrictions as the Petitioners, under this Order (the Petitioners, together with the Partnership, collectively, the "**Petitioner Parties**").

### **SUBSEQUENT HEARING DATE**

2. The hearing of the Petitioner Parties' application for an extension of the Stay Period (as defined in paragraph 19 of this Order) and for any ancillary relief shall be held at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at 9:45a.m. on Tuesday, the 14<sup>th</sup> day of February, 2012 or such other date as this Court may order (the "**Comeback Hearing**").

### **PLAN OF ARRANGEMENT**

3. The Petitioner Parties shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (the "**Plan**").

## POSSESSION OF PROPERTY AND OPERATIONS

4. Subject to this Order and any further Order of this Court, the Petitioner Parties shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof and for greater certainty, the property of the Partnership (collectively, the **"Property"**), and continue to carry on their business (the **"Business"**) in the ordinary course and in a manner consistent with the preservation of the Business and the Property. The Petitioner Parties shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, **"Assistants"**) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.

5. The Petitioner Parties shall be entitled to continue to utilize the central cash management system currently in place as described in part in the Baarda Affidavit or, with the consent of the DIP Lenders (defined below), replace it with another substantially similar central cash management system including any modifications required in connection with the DIP Facility (defined below) (the **"Cash Management System"**) and any present or future bank providing the Cash Management System: (i) shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Petitioner Parties of funds transferred, paid, collected or otherwise dealt with in the Cash Management System; (ii) notwithstanding paragraph 24 of this Order, shall be entitled to provide the Cash Management System and exercise its permitted discretion to adjust such services pursuant to the terms of the documentation applicable to the Cash Management System without any liability to any Person (defined below) other than the Petitioner Parties arising from the making of this Order or the insolvency of the Petitioner Parties; and (iii) shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims that may arise or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. Subject to paragraph 46, immediately upon the Petitioner Parties' receipt thereof or otherwise in accordance with the Petitioner Parties' current practices, the Petitioner Parties are authorized and directed to remit to the DIP Agent all cash, monies and collection of accounts receivable and other book debts in their possession or control (collectively, "**Cash Receipts**") and all Cash Receipts so remitted shall be applied in accordance with the DIP Documents (defined below). The DIP Agent is hereby authorized to (i) on the date hereof and from time to time in accordance with the DIP Credit Agreement (defined below) send a notice to each bank and deposit-taking institution that is a party to a Blocked Account Agreement (as defined in the DIP Credit Agreement), as such agreements may be amended from time to time (each a "**Receivable Account Bank**") to commence a period during which the applicable Receivable Account Bank shall cease complying with any instructions originated by any applicable Petitioner Parties and shall comply with instructions originated by the DIP Agent as to dispositions of funds, without further consent of the applicable Petitioner Parties and until further notice from the DIP Agent, and (ii) apply (and allocate) the funds in each Blocked Account (as defined in the DIP Credit Agreement) pursuant to the DIP Credit Agreement and paragraphs 9, 10(d) and 10(e) of this Order without further order or approval of this Court. Each Receivable Account Bank is hereby authorized and directed to comply with any instructions originated by the DIP Agent on or after the Order Date directing disposition of funds, without further consent of the applicable Petitioner Parties or further order or approval of this Court. As of the Closing Date under the DIP Credit Agreement, each Blocked Account Agreement (defined in the ABL Facility, as defined below) will continue and remain in full force and effect, in each case substituting the DIP Agent for the Pre-Petition Agent under the ABL Facility (defined below) as the secured party thereunder. Notwithstanding any provision of this Order, pending the closing date of the DIP Credit Agreement, the Pre-Petition Agent shall be entitled to send notices to the following Receivables Account Banks in connection with specified accounts as agreed with the Petitioner Parties.

7. Subject to the terms, conditions and availability under the DIP Facility, the Petitioner Parties shall be entitled, but not required, to pay the following expenses which may have been incurred prior to the Order Date:

- (a) 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 the Order Date, 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”);
- (b) all amounts owing to or in respect of individuals working as independent contractors in connection with the Petitioner Parties’ Business;
- (c) the fees and disbursements of any Assistants retained or employed by the Petitioner Parties which are related to the Petitioner Parties’ restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioner Parties and the Directors, whenever and wherever incurred, in respect of:
  - (i) these proceedings or any other similar proceedings in other jurisdictions in which the Petitioner Parties or any subsidiaries or affiliated companies of the Petitioner Parties are domiciled;
  - (ii) any litigation in which the Petitioners are named as a party or are otherwise involved, whether commenced before or after the Order Date; and
  - (iii) any related corporate matters;
- (d) all amounts owing for goods and services actually supplied to the Petitioner Parties:
  - (i) by chemical suppliers, fibre 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 Petitioner Parties

and the Monitor, the supplier is critical to the business and ongoing operations of any of the Petitioner Parties;

- (ii) 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 Petitioner Parties and the Monitor, the party providing the good or service is critical to the business and ongoing operations of any of the Petitioner Parties; and
  - (iii) by other parties providing goods or services, with the prior consent of the Monitor and the DIP Agent, if, in the opinion of the Petitioner Parties and the Monitor, the supplier is critical to the business and ongoing operations of any of the Petitioner Parties;
- (e) with the prior consent of the Monitor and the DIP Agent, all amounts owing to creditors who, prior to the date of this Order, lawfully retained Property or exercised possessory liens against Property;
  - (f) all amounts in respect of customer programs including, *inter alia*, rebates, adjustments, performance and volume discounts; and
  - (g) any amounts payable in respect of customs and duties.

8. The Petitioner Parties shall be subrogated to the rights of any creditor receiving a payment pursuant to paragraph 7(d), 7(e), 7(f) and 7(g) of this Order 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 shall be deemed to be assigned to the Petitioner Parties for all purposes and the Petitioner Parties shall be entitled to vote the Critical Supplier Claims in any Plan.

9. Subject to paragraph 46, the Petitioner Parties, the Pre-Petition Agent (as defined below) and the DIP Agent are authorized and directed to first apply all pre-filing and post-filing accounts receivable proceeds and account receivable collections in permanent repayment of the Secured Obligations (as defined in the asset based loan facility amended and restated May 31, 2011 between the Petitioner Parties and JPMorgan, as agent for the lenders thereunder (the "**Pre-Petition Agent**") and the various lenders signatory thereto as further amended, modified or supplemented from time to time (the "**ABL Facility**")), and to cash collateralize all contingent obligations forming part of the Secured Obligations as required pursuant to the DIP Documents (defined below) and this Order, including any indemnification or payment obligations owing by the Petitioner Parties in connection with any Existing LCs (defined below) and any Existing Derivatives Transactions (defined below).

10. Subject to the terms and conditions of and availability under the DIP Facility (defined below) and except as otherwise provided herein, the Petitioner Parties shall be entitled but not required to pay all expenses reasonably incurred by the Petitioner Parties in carrying on the Business in the ordinary course following the Order Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Property or the 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;
- (b) all obligations incurred by the Petitioner Parties after the Order Date, including without limitation, with respect to goods and services actually supplied to the Petitioner Parties following the Order Date (including those under purchase orders outstanding at the Order Date but excluding any interest on the Petitioner Parties' obligations incurred prior to the Order Date);
- (c) fees and disbursements of the kind referred to in paragraph 7(c) which may be incurred after the Order Date;

- (d) the posting of additional cash collateral (the **"LC Cash Collateral"**) into a LC Collateral Account (defined in the ABL Facility) established with the Pre-Petition Agent as required by Section 2.06(j) of the ABL Facility as additional and continuing security for the indemnification obligations owing by the Petitioner Parties in connection with existing letters of credit, letters of guarantee, surety bonds, and similar instruments comprising the LC Exposure (as defined in the ABL Facility) under the ABL Facility (collectively, **"Existing LCs"**) that are not cancelled and replaced by a new letter of credit or other such instrument under the DIP Facility and for any foreign exchange losses incurred by any issuer of one or more of the Existing LCs and its correspondent banks, if any, under Existing LCs issued in currencies other than Canadian dollars or U.S. dollars;
- (e) the posting of additional cash collateral (the **"Derivatives Cash Collateral"**) into a cash collateral account established with the Pre-Petition Agent, in the name of the Pre-Petition Agent and for the benefit of the Derivatives Lenders (as defined in the ABL Facility) in an amount of the aggregate mark-to-market positions associated with all outstanding Derivatives Transactions (as defined in the ABL Facility), determined on a netted basis for each Derivatives Lender, as additional and continuing security for the Derivatives Secured Obligations (as defined under the ABL Facility) owing by the Petitioner Parties in connection with existing Derivatives Transactions not terminated on the Order Date (collectively, **"Existing Derivatives Transactions"**). The Pre-Petition Agent shall hold the Derivatives Cash Collateral as collateral for the payment and performance of the Derivatives Secured Obligations (as defined in the ABL Facility), and shall have exclusive dominion and control, including the exclusive right of withdrawal, over the Derivatives Collateral Account (as defined in the ABL Facility) and, subject to the terms of this Order, the remaining provisions of Section 2.06(j) of the ABL Facility shall apply to the Derivatives Collateral Account, mutatis mutandis, as if the references therein to "LC Collateral Account" were references to the "Derivatives Collateral Account", references to "LC Exposure" were references to "Derivatives Secured Obligations", and references therein to "Issuing Bank" and "Revolving Lenders" were references to the "Derivatives Lenders";

- (f) payment of any indebtedness of the Petitioner Parties to the Issuing Bank (as defined in the ABL Facility) and the Lenders (as defined in the ABL Facility) when due in connection with LC Exposure under the ABL Facility by way of set-off and transfer of LC Cash Collateral posted as at the Order Date or posted thereafter as permitted under subparagraph (d) above; and
- (g) payment of any indebtedness of the Petitioner Parties to the Derivatives Lenders (as defined in the ABL Facility) when due in connection with Derivatives Secured Obligations under the ABL Facility by way of set-off and transfer of Derivatives Cash Collateral posted as at the Order Date or posted thereafter as permitted under subparagraph (e) above.

11. Subject to further Order of the Court, the Petitioner Parties:

- (a) are authorized and directed to remit, in accordance with legal requirements, or pay any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes or any such claims which are to be paid pursuant to Section 6(3) of the CCAA;
- (b) are authorized to remit, in accordance with legal requirements, or pay all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioner Parties in connection with the sale of goods and services by the Petitioner Parties, but only where such Sales Taxes accrue or are collected after the Order Date, or where such Sales Taxes accrued or were collected prior to the Order Date but not required to be remitted until on or after the Order Date;
- (c) are authorized and directed to remit, in accordance with legal requirements, or pay all employer normal cost contributions which, for greater certainty, excludes special payments (the "**Normal Cost Contributions**") as required by the most

recently filed actuarial valuations in respect of any pension plans registered under the *Pensions Benefits Standards Act* (British Columbia) (the "PBSA") and maintained by the Petitioner Parties (collectively, the "Pension Plans"), whether such Normal Cost Contributions are in respect of periods prior to, on or after the date of this Order;

- (d) are authorized to remit or pay the special payments referenced in the letter dated December 14, 2011 from the Financial Institutions Commissioner of British Columbia attached as Exhibit "F" to the Baarda Affidavit in respect of any pension plans registered under the PBSA and maintained by the Petitioner Parties, but in no event shall the Petitioner make any special or catch up payments on an accelerated basis without further Order of this Court on not less than 15 days notice to the DIP Agent; and
- (e) are authorized to remit, in accordance with legal requirements, or pay any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors.

12. Until such time as a real property lease is disclaimed in accordance with the CCAA, the Petitioner Parties shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated between the Petitioner Parties and the landlord from time to time ("Rent"), for the period commencing from and including the Order Date, twice-monthly in equal payments on the first and fifteenth day of the month in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including Order Date shall also be paid.

13. Except as specifically permitted both by the Order and the DIP Documents (defined below), the Petitioner Parties are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioner Parties to any of their creditors as of the Order Date;
- (b) to make no payments in respect of any financing leases which create security interests;
- (c) to grant no security interests, trusts, mortgages, liens, charges or encumbrances upon or in respect of any of its Property, nor 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 its Property nor become a guarantor or surety, nor otherwise become liable in any manner with respect to any other person or entity;
- (d) to not grant credit except in the ordinary course of the 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 Petitioner Parties to such customers as of the Order Date; and
- (e) to not incur liabilities except in the ordinary course of Business.

14. Notwithstanding any other provision in this Order, (a) no Issuing Bank shall be required to renew an Existing LC or issue any new letter of credit under the ABL Facility to the Petitioner Parties at the request or for the account of any of them and are hereby authorized to issue any required notices of non-renewal and (b) no DIP Lender shall be required to enter into a hedging agreement or any other eligible financial contract or provide any new banking or cash management services with any of the Petitioner Parties.

## RESTRUCTURING

15. Subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Documents (defined below), the Petitioner Parties shall have the right to:

- (a) permanently or temporarily cease, downsize or shut down all or any part of its Business or operations and commence marketing efforts in respect of any of its redundant or non-material assets and to dispose of redundant or non-material assets not exceeding \$500,000 in any one transaction or \$2,000,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing for its Business or Property, in whole or part;

all of the foregoing to permit the Petitioner Parties to proceed with an orderly restructuring of the Business (the "**Restructuring**").

16. The Petitioner Parties shall provide each of the relevant landlords with notice of the Petitioner Parties' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Petitioner Parties' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors who claim a security interest in the fixtures, such landlord and the Petitioner Parties, or by further Order of this Court upon application by the Petitioner Parties, the landlord or the applicable secured creditors on at least two (2) clear days' notice to the other parties. If the Petitioner Parties disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any dispute concerning such fixtures (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Petitioner Parties' claim to the fixtures in dispute.

17. If a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours on giving the Petitioner Parties and the Monitor 24 hours' prior written notice; and (b) at the effective time of the disclaimer, the landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims the landlord may have against any Petitioner Party, or any other rights the landlord might have, in respect of such lease or leased premises and the landlord shall be entitled to notify the Petitioner Parties of the basis on which it is taking possession and gain possession of and re-lease such leased premises to any third party or parties on such terms as the landlord considers advisable, provided that nothing herein shall relieve the landlord of its obligation to mitigate any damages claimed in connection therewith.

18. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the "**Relevant Enactment**"), the Petitioner Parties, in the course of these proceedings, are permitted to, and hereby shall, disclose personal information of identifiable individuals in its possession or control to stakeholders, its advisors, prospective investors, financiers, buyers or strategic partners (collectively, "**Third Parties**"), but only to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioner Parties binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate or complete the Restructuring or to prepare and implement the Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioner Parties or destroy it. If the Third Parties acquire personal information as part of the Restructuring or the preparation and implementation of the Plan or transactions in furtherance thereof, such Third Parties may, subject to this paragraph and any

Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioner Parties.

#### **STAY OF PROCEEDINGS, RIGHTS AND REMEDIES**

19. Until and including February 14, 2012, or such later date as this Court may order (the **"Stay Period"**), no action, suit or proceeding in any court or tribunal (each, a **"Proceeding"**) against or in respect of the Petitioner Parties or the Monitor, or affecting the Business or the Property, shall be commenced or continued except with the written consent of the Petitioner Parties and the Monitor or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioner Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

20. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being **"Persons"** and each being a **"Person"**) against or in respect of the Petitioner Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioner Parties and the Monitor or leave of this Court.

21. Nothing in this Order, including paragraphs 19 and 20, shall: (i) empower any one of the Petitioner Parties to carry on any business which that Petitioner Party is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 39 of the CCAA relating to the priority of statutory Crown securities); or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioner Parties.

## **NO INTERFERENCE WITH RIGHTS**

22. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioner Parties, except with the written consent of the Petitioner Parties and the Monitor or leave of this Court. Nothing in this Order shall stay or prohibit a DIP Lender that has entered into a hedging agreement or other eligible financial contract, whether before, on or after the date of this Order, with any of the Petitioner Parties from terminating such agreement or contract in accordance with its terms.

## **CONTINUATION OF SERVICES**

23. During the Stay Period, all Persons having oral or written agreements with the Petitioner Parties or mandates under a statutory or regulatory enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioner Parties are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Petitioner Parties, and that the Petitioner Parties shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Petitioner Parties in accordance with normal payment practices of the Petitioner Parties or such other practices as may be agreed upon by the supplier or service provider and the Petitioner Parties and the Monitor, or as may be ordered by this Court. For greater certainty, no Receivable Account Bank may terminate its service management with any Petitioner Party or terminate a Blocked Account Agreement, without further Order of the Court.

## **NON-DEROGATION OF RIGHTS**

24. Notwithstanding any provision of this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other

valuable consideration provided on or after the Order Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any credit to the Petitioner Parties on or after the Order Date. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

25. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against the directors or officers of the Petitioner Parties with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Petitioner Parties whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Petitioner Parties, if one is filed, is sanctioned by this Court or is refused by the creditors of the Petitioner Parties or this Court. Nothing in this Order, including in this paragraph, shall prevent the commencement of a Proceeding to preserve any claim against a director or officer of the Petitioner Parties that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such Proceeding except for service of the initiating documentation on the applicable director or officer.

## **DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE**

26. The Petitioner Parties shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Petitioner Parties after the commencement of the within proceedings, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

27. The directors and officers of the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Charged Property (defined below), which charge shall not exceed the aggregate amount of \$31,000,000, as security for the indemnity

provided in paragraph 26 of this Order. The D&O Charge shall have the priority set out in paragraphs 49, 50, 52 and 53 herein.

28. Notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Petitioners' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 26 of this Order.

#### **APPOINTMENT OF MONITOR**

29. PwC is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Petitioner Parties with the powers and obligations set out in the CCAA or set forth herein, and that the Petitioner Parties and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Petitioner Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

30. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Petitioner Parties' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Petitioner Parties, to the extent required by the Petitioner Parties, in their dissemination to the DIP Lenders and their counsel, financial and other information as agreed to between the Petitioner Parties and the DIP Lenders

which may be used in these proceedings including reporting on a basis to be agreed on with the DIP Lenders;

- (d) advise the Petitioner Parties in their preparation of the Petitioner Parties' cash flow statements and reporting required by the DIP Lenders, which information shall be reviewed with the Monitor and delivered to the DIP Lenders and their counsel on a periodic basis as agreed to by the DIP Lenders;
- (e) advise the Petitioner Parties in their development of the Plan and any amendments to the Plan;
- (f) assist the Petitioner Parties, to the extent required by the Petitioner Parties, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioner Parties, to the extent that is necessary to adequately assess the Petitioner Parties' business and financial affairs or to perform their duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) hold funds in trust or in escrow, to the extent required, to facilitate settlements or other transactions between the Petitioner Parties and any other Person; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

31. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or a successor employer, within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

32. Nothing herein contained shall require or allow the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Fisheries Act*, the *British Columbia Environmental Management Act*, the *British Columbia Fish Protection Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. For greater certainty, the Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

33. The Monitor shall provide any creditor of the Petitioner Parties and the DIP Lenders with information provided by the Petitioner Parties in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioner Parties is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Petitioner Parties may agree.

34. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the rights and protections afforded the Monitor by the CCAA or any applicable legislation.

#### **ADMINISTRATION CHARGE**

35. The Monitor, Canadian and U.S. counsel to the Monitor, and Canadian and U.S. counsel to the Petitioner Parties and the Directors, including the separate counsel acting for the Petitioner Parties in connection with the DIP Credit Facility and the DIP Credit Agreement, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioner Parties as part of the cost of these proceedings. The Petitioner Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor and such Canadian and U.S. counsel to the Petitioner Parties on a periodic basis and, in addition, the Petitioner Parties are hereby authorized to pay to the Monitor, counsel to the Monitor, and such counsel to the Petitioner Parties, retainers in the aggregate amount of \$350,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

36. The Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the British Columbia Supreme Court and may be heard on a summary basis.

37. The Monitor, counsel to the Monitor, and counsel to the Petitioner Parties and the Directors shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property other than Excluded JV Interests (as defined below) (the “**Charged Property**”), which charge shall not exceed an aggregate amount of \$1,500,000, as security for their respective fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order which are related to the Petitioner Parties’ restructuring. The Monitor, counsel to the Monitor and counsel to the Petitioner Parties shall be required to provide the Monitor with bi-weekly updates regarding the

unpaid amounts owing to them which are secured by the Administration Charge. The Administration Charge shall have the priority set out in paragraphs 49, 50, 52 and 53 herein. **"Excluded JV Interests"** means: (a) the Petitioner Parties' 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 Partnership, the **"JVs"**), and (b) 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, except to the extent the property described in (b) above may become charged pursuant to the terms of the DIP Credit Agreement.

#### **SALE OF NOTES FIRST LIEN COLLATERAL**

38. If any of the Notes First Lien Collateral (as defined in **Schedule "C"** hereto) is sold, the proceeds of any such Notes First Lien Collateral will be deposited into one or more deposit accounts or securities accounts established by and under the sole dominion and control of Computershare Trust Company of Canada, in its capacity as collateral trustee for itself and the 2016 Noteholders (in such capacity, the **"Collateral Trustee"**) (each such account, a **"Noteholder Proceeds Collateral Account"**) whereupon, and subject to the provisions of this Order and the Charges (as defined below), such proceeds may be used, applied and otherwise dealt with by the Collateral Trustee, Catalyst Paper Corporation or other applicable Petitioner Party, as applicable, to the extent permitted by the terms of the Indenture dated as of May 19, 2010 as among Catalyst Paper Corporation, Wilmington Trust FSB and Computershare Trust Corporation of Canada (**"2016 Note Indenture"**) under which certain notes (**"2016 Notes"**) are issued. Each such Noteholder Proceeds Collateral Account shall constitute Notes First Lien Collateral.

#### **DIP FINANCING**

39. Subject to paragraph 62 of this Order, the Petitioner Parties are hereby authorized and empowered to obtain and borrow and reborrow (and obtain the issuance of letters of credit and other financial accommodations) under a credit facility (the **"DIP Facility"**) to be made available by the DIP Agent as DIP Agent and as lender and LC Issuer and the other lenders from time to

time party to the DIP Credit Agreement (together the "**DIP Lenders**") in order to finance the Petitioner Parties' working capital requirements, continuation of the Business, preservation of the Property, and other general corporate purposes provided that the aggregate principal amount outstanding (plus the face amount of any letters of credit issued under the DIP Facility) shall not exceed the lesser of \$175,000,000 and the aggregate maximum amount permitted pursuant to the terms of the DIP Credit Agreement (as defined below) ("**Final Availability**").

40. The DIP Facility shall be available substantially on the terms and subject to the conditions set forth in the Commitment Letter attached as Exhibit "J" to the Baarda Affidavit (the "**DIP Commitment Letter**"), as the terms of the DIP Facility may be amended by the Petitioner Parties and the DIP Lenders with the consent of the Monitor. The Petitioner Parties may enter into a credit agreement ("**DIP Credit Agreement**") on terms and conditions contemplated by the DIP Commitment Letter. Until February 14, 2012, subject to paragraph 62 of this Order, the aggregate principal amount outstanding under the DIP Facility (excluding the face amount of any letters of credit issued under the DIP Facility) shall not exceed \$40,000,000. The aggregate principal amount outstanding (including the face amount of any letters of credit issued under the DIP Facility) shall not exceed \$119,800,000 ("**Initial Availability**") until the conditions to Final Availability pursuant to the DIP Commitment Letter or any DIP Credit Agreement have been either satisfied or waived by the DIP Agent.

41. Subject to paragraph 62 of this Order, the DIP Facility and the DIP Credit Agreement be and are hereby approved.

42. Subject to paragraph 62, all of the Petitioner Parties' obligations, liabilities and indemnities agreed to in their banking services and cash management agreements with any DIP Lender and any hedging agreements with any DIP Lender, or any of their affiliates, shall be secured by the DIP Lenders' Charge (defined below); provided that all such banking services obligations and hedging exposure secured by the DIP Lenders' Charge shall be subordinate to the repayment of all of the other Secured Obligations (defined in the DIP Credit Agreement). The Petitioner Parties are hereby authorized and empowered to execute and deliver such credit agreements (including the DIP Credit Agreement), mortgages, charges, hypothecs and security documents, blocked account agreements, guarantees and other definitive documents, as are

contemplated by the DIP Credit Agreement or as may be reasonably required by the DIP Lenders pursuant to the terms thereof or to evidence or implement the DIP Lenders' Charge, including all banking and cash management services agreements and all hedging agreements with one or more DIP Lenders or their affiliates (collectively, the **"DIP Documents"**), and the Petitioner Parties are hereby authorized and directed to pay all of their indebtedness, interest, fees, and liabilities and perform their obligations to the DIP Lenders under and pursuant to the DIP Commitment Letter, fee letter and the DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order. For greater certainty, the Petitioner Parties are hereby authorized and directed to pay the fees of the DIP Agent and the DIP Lenders in connection with the DIP Facility and to pay the accounts of Canadian and US counsel to the DIP Agent and the DIP Lenders and advisors to the DIP Agent and to DIP Lenders in accordance with the DIP Commitment Letter and fee letter.

43. Subject to paragraph 62, the DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the **"DIP Lenders' Court Charge"**) on the Charged Property immediately upon the making of a further order of the Court authorizing such a charge and advances to be made under the DIP Facility. The DIP Lenders' Court Charge shall not secure an obligation that existed before this Order is made.

44. Subject to paragraph 62, the DIP Lenders' Court Charge and any contractual security interests granted pursuant to the DIP Documents (collectively with the DIP Lenders' Court Charge, the **"DIP Lenders' Charge"**) shall attach to the Charged Property and shall secure all obligations under the DIP Documents and all obligations owed to any DIP Lender (or its affiliates) for banking and cash management services and hedging obligations under transactions entered on or after the Order Date, provided to any Petitioner Party by that DIP Lender (or its affiliates). The DIP Lenders' Charge shall, subject to the terms and conditions of the DIP Credit Agreement concerning Permitted Priority Claims, have the priority set out in paragraphs 49, 50, 51, 53 and 54 hereof.

45. The Petitioner Parties are hereby authorized and directed to pay all funds received after the date of this Order, which are derived from accounts receivable to reduce the Revolving Exposure (as defined in the ABL Facility) or fund the cash collateral accounts contemplated in

paragraph 10(d) and 10(e) of this Order, as applicable, all in the order of application contemplated in section 2.18(b) of the ABL Facility until all Revolving Exposure thereunder has been either indefeasibly paid in full in cash or fully cash collateralized as required under paragraphs 10(c) and 10(d) of this Order.

46. Notwithstanding paragraphs 6, 9, 10 and 45 hereof and the terms of the Blocked Account Agreements between the Receivable Account Banks and the Pre-Petition Agent and subject to further Order of this Court:

- (a) the Petitioner Parties shall pay to the Pre-Petition Agent (i) on the Business Day immediately following the Order Date, the amount, if any, by which the aggregate amount of all cash on hand at the close of business on the Order Date (the "**Cash on Hand**") exceeds the amount of \$40,000,000 (such amount being referred to herein as the "**Permitted Cash Amount**"); and (ii) on each other Business Day, all cash receipts collected by the Company on account of accounts receivable or other proceeds of ABL First Lien Collateral (the "**Post Filing Collections**") on the previous Business Day; provided that in the event that the actual amount of the Cash on Hand is less than the Permitted Cash Amount, the Petitioner Parties shall not be obligated to make any payments pursuant to this paragraph 47(a) unless and until the total amount of the Cash on Hand on the Order Date plus the aggregate amount of the Post-Filing Collections is equal to the Permitted Cash Amount;
- (b) the payments made by the Petitioner Parties to the Pre-Petition Agent pursuant to paragraph 47(a) may, in the discretion of the Pre-Petition Agent, be applied to the ABL Facility as permanent repayments thereof and/or held by the Pre-Petition Agent as cash collateral as security for the payment and performance of all contingent obligations forming part of the Secured Obligations, including any indemnification or payment obligations owing in connection with any Letters of Credit or any Derivatives Transactions; and

- (c) Subject to the obligations of the Company to make payments to the Pre-Petition Agent as provided in paragraph 47(a) above, the Company shall be entitled to make payments out of the Cash on Hand and Post-Filing Collections to the extent of the Permitted Cash Amount substantially in accordance with the Revised Cash Flow Forecast (as defined in the DIP Commitment Letter”).

47. Subject to paragraph 62 of this Order, but notwithstanding any other provision of this Order:

- (a) the DIP Lenders may take such steps from time to time as they may deem necessary or appropriate to file, register, record or perfect the DIP Lenders' Charge or any of the DIP Documents;
- (b) upon the occurrence of an event of default under any of the DIP Documents or the DIP Lenders' Charge, the DIP Lenders, (i) shall be entitled to immediately cease making any further advances or issue any additional financial accommodations to the Petitioner Parties, and (ii) upon two (2) business days notice (and subject to the requirements of the DIP Credit Agreement in the case of an Event of Default under Article VII, clause (t) thereof) to the Petitioner Parties and the Monitor, may exercise any and all of its rights and remedies against the Petitioner Parties or the Charged Property under or pursuant to the DIP Documents and the DIP Lenders' Charge, including without limitation, their right to set off and/or consolidate any amounts owing by the DIP Lenders to the Petitioner Parties against the obligations of the Petitioner Parties to the DIP Lenders under the DIP Documents or the DIP Lenders' Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Petitioner Parties and for the appointment of a trustee in bankruptcy of the Petitioner Parties; and

- (c) the foregoing rights and remedies of the DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Petitioner Parties or the Property.

48. The DIP Lenders, in such capacity, shall be treated as unaffected in any plan of arrangement or compromise filed by the Petitioner Parties under the CCAA, or any proposal filed by the Petitioner Parties under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the DIP Documents or the DIP Lenders' Charge.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

49. Subject to paragraph 62, in respect of the Charged Property of the Petitioner Parties which constitutes DIP Lenders' First Lien Collateral (as defined in Schedule "C" hereto), the priorities of the Charges (as defined below), the Encumbrances (as defined below) securing the obligations in connection with ABL Facility ("ABL Facility Security") and the Encumbrances securing the obligations in connection with the Noteholder Secured Obligations (the "2016 Notes Security"), as among themselves, shall be as follows:

- |        |   |                           |
|--------|---|---------------------------|
| First  | - | the Administration Charge |
| Second | - | the DIP Lenders' Charge   |
| Third  | - | the ABL Facility Security |
| Fourth | - | the D&O Charge            |
| Fifth  | - | the 2016 Notes Security   |

50. Subject to paragraph 62, in respect of the Charged Property which constitutes Notes First Lien Collateral, the priority of the Charges, the 2016 Notes Security, the ABL Facility Security, as among themselves, shall be as follows:

- First - the Administration Charge
- Second - the D&O Charge
- Third - the 2016 Notes Security
- Fourth - the DIP Lenders' Charge
- Fifth - the ABL Facility Security

51. Notwithstanding paragraphs 49 and 50, the DIP Lenders' Charge shall be subordinate to the following claims and Encumbrances against the Charged Property described below (but only to the extent, in each case, that such Encumbrances are not subordinate to claims over which the DIP Lenders' Charge has priority):

- (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 Credit Agreement, but in each case, only in respect of the specific purchased or leased Charged 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) over the Charged Property.

(the "Permitted Priority Claims")

52. Notwithstanding paragraph 53 of this Order, subject to further order of the Court, the Administration Charge and the D&O Charge shall be subordinate to the Permitted Priority Claims (but only to the extent, in each case, that those Permitted Priority Claims are not subordinate to claims over which the DIP Lenders' Charge has priority).

53. The Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Charged Property and, save and except that the DIP Lenders' Charge shall be subordinate to the 2016 Notes Security in respect of the Notes First Lien Collateral, all of the Charges are paramount to and shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise, whether existing as of the date hereof or arising in the future, including any and all deemed trusts (provincial or otherwise), including under the PBSA, all claims in respect of breach of fiduciary duties and any future charges which may arise under Sections 81.3, 81.4, 81.5 and 81.6 of the BIA (collectively, "Encumbrances"), in favour of any Person.

\* SUBJECT TO PARAGRAPH 62, - 62A

54. <sup>^</sup> Notwithstanding any other provision of this Order or other fact, and except for the Administration Charge and the Permitted Priority Claims, the DIP Lenders' Charge against the DIP Lenders' First Lien Collateral shall be senior in priority over all other claims, Charges or Encumbrances including, without limitation, the 2016 Notes Security.

55. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge, the DIP Lenders' Charge, and the D&O Charge (collectively, the "Charges") shall not be required, and the Charges shall be effective as against the Charged Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected, notwithstanding any failure to file, register or perfect any such Charges. The Charges shall attach to all Charged Property including equipment, inventory, lease, license, occupation permit, or other contractual right notwithstanding any requirement for the consent of any lessor, licensor, or other party to or finance of any such Charged Property, or any other person, and notwithstanding the provisions of any applicable instrument or agreement to the contrary, the failure to obtain such consent shall not constitute a breach of or default under any such license, right of occupation, permit, statute, contractual or other agreement comprising or relating to such Charged Property.

56. Subject to further order of the Court, the Charges as they relate to the Petitioner Parties' interest in real property, shall be subordinate to the interest of such secured creditors with lawful Encumbrances registered against such real property who rank in priority behind the 2016 Notes Security, on such real property (such that they are not affected by the Charges, pending further

order of the Court elevating the priority of the Charges as against the real property interests of the Petitioner Parties granted by such further Order of the Court); provided that in no event shall the DIP Lenders' Charge be elevated to be in priority to the 2016 Notes Security as against such real property interests.

57. For greater certainty, the Charges and all such other Encumbrances as may attach to the LC Cash Collateral and the Derivatives Cash Collateral, including by operation of law or otherwise, (a) shall rank junior in priority to the ABL Facility Security and the DIP Charge in respect of LC Cash Collateral and the Derivatives Cash Collateral and (b) shall attach to the LC Cash Collateral and Derivatives Cash Collateral only to the extent of the rights of the Petitioner Parties to the return of any LC Cash Collateral and Derivatives Cash Collateral from the Pre-Petition Agent and DIP Agent following (i) the payment and satisfaction of (x) all LC Exposure and all Derivatives Secured Obligations and thereafter, (y) all other Secured Obligations (as defined in the ABL Facility) and all other Secured Obligations (as defined in the DIP Facility) and (ii) the exercise by the Pre-Petition Agent and the DIP Agent of any rights in respect of the LC Cash Collateral and the Derivatives Cash Collateral pursuant to Section 21 of the CCAA, notwithstanding anything to the contrary contained herein.

58. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioner Parties shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges or the ABL Facility Security in the LC Cash Collateral and the Derivatives Cash Collateral, unless the Petitioner Parties obtain the prior written consent of the Monitor, the DIP Agent, the DIP Lenders and the beneficiaries of the Administration Charge, the D&O Charge, and the Issuing Bank and the Pre-Petition Agent.

59. The Administration Charge, the D&O Charge, the DIP Credit Agreement, the DIP Documents, the DIP Lenders' Charge, and the ABL Facility Security in respect of the LC Cash Collateral and the Derivatives Cash Collateral shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges and the ABL Facility Security in respect of the LC Cash Collateral and the Derivatives Cash Collateral (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any

application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Petitioner Parties; and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the LC Cash Collateral nor the Derivatives Cash Collateral nor the execution, delivery, perfection, registration or performance of the DIP Documents shall create or be deemed to constitute a breach by the Petitioner Parties of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Petitioner Parties entering into the DIP Documents, the creation of the Charges or the LC Cash Collateral or the Derivatives Cash Collateral, or the execution, delivery or performance of the DIP Documents; and
- (c) the payments made by the Petitioner Parties pursuant to this Order, the DIP Documents, or the ABL Facility, and the granting of the Charges and the LC Cash Collateral and the Derivatives Cash Collateral, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

60. Any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Petitioner Parties' interest in such real property leases.

61. In the event of any inconsistency between the terms and conditions of the DIP Documents and of this Order, the provisions of this Order shall control and govern.

**INTERIM ORDERS – FEBRUARY 3, 2012 HEARING**

62. Notwithstanding any other provision of this Order, the DIP Lenders' Charge shall not be effective until further Order of the Court and no advances shall be made until the DIP Lenders' Charge is effective on terms satisfactory to the DIP Agent.

63. The Petitioner Parties are granted leave of this Court to apply on February 3, 2012 for Orders;

- (a) permitting advances to be made under the DIP Facility and to effectuate the DIP Lenders' Charge;
- (b) designating critical suppliers and creating a charge in favour of such critical suppliers;
- (c) authorizing all payments due and owing or which may become due and owing pursuant to Catalyst Paper Corporation's retention program for senior executives as provided for in the Baarda Affidavit; and *AS*
- ~~(d) creating a Directors and Officers Charge; and~~ *BA*
- ~~(d)~~ any other Orders,

as more particularly described in the Petitioner Parties Notice of Application dated January 31, 2012.

64. The Petitioner Parties shall serve those secured creditors likely to be affected by the orders sought at the February 3, 2012 no later than 12:00 pm on February 1, 2012, with the Petition, the Baarda Affidavit, the pre-filing report of the Proposed Monitor, a copy of the Petitioner Parties January 31, 2012 Notice of Application and any other material sought to be relied upon (collectively, the "**February 3<sup>rd</sup> Materials**").

65. If service is required pursuant to the *Constitutional Question Act*, R.S.B.C 1996, c 68, in respect of the February 3, 2012 hearing, service shall be effected pursuant to that Act if service is effected no later than 12:00 pm on February 1, 2012.

66. For the purposes of the February 3, 2012 hearing:

- (a) the Monitor shall post the February 3<sup>rd</sup> Materials on the Monitor's website at: [www.pwc.com/car-catalystpaper](http://www.pwc.com/car-catalystpaper).
- (b) the Petitioner Parties shall be entitled to serve the February 3<sup>rd</sup> Materials in respect of the applications to be heard at that hearing on those pension parties who may take the position they are likely to be affected by the Order sought including on any employee, former employee, and any spouse or designated beneficiary of an employee or former employee, who is entitled to a benefit under the Salaried Plan (as defined in the Petition) or Plan A (as defined in the Petition) administered by the Petitioner Parties, by way of personal service, courier delivery, electronic transmission or facsimile of the February 3<sup>rd</sup> Materials to: (1) Mr. Bill Sharkey, on behalf of the Catalyst TimberWest Retired Salaried Employees Association; (2) the Catalyst Pension Administration Committee; (3) the Financial Institutions Commission of B.C.; and (4) CIBC Mellon Trust in its capacity as the trustee for beneficiaries under Plan A who reside outside British Columbia.
- (c) the Petitioner Parties shall be entitled to serve the February 3<sup>rd</sup> Materials in respect of the applications to be heard at that hearing on the critical suppliers listed in Exhibit "C" to the Baarda Affidavit by way of personal service, courier delivery, electronic transmission or facsimile of the February 3<sup>rd</sup> Materials to those parties.

#### **SERVICE AND NOTICE**

67. The Monitor shall (i) without delay, publish in The National Post and the Vancouver Sun a notice containing the information prescribed under the CCAA, (ii) within five days after the

Order Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioner Parties of more than \$5,000, and (C) prepare a list showing the names and addresses of those creditors (excluding employees) and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

68. The Petitioner Parties and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Petitioner Parties' creditors or other interested parties at their respective addresses as last shown on the records of the Petitioner Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

69. Notwithstanding paragraph 68, the Petitioner Parties and the Monitor shall be permitted to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, to any pension parties who may take the position they are likely to be affected including on any employee, former employee, and any spouse or designated beneficiary of an employee or former employee, who is entitled to a benefit under the Salaried Plan (as defined in the Petition) or Plan A (as defined in the Petition) administered by the Petitioner Parties, by way of: (1) notice to Mr. Bill Sharkey, on behalf of the Catalyst TimberWest Retired Salaried Employees Association; (2) notice to the Catalyst Pension Administration Committee; (3) notice to the Financial Institutions Commission of B.C.; (4) notice to CIBC Mellon Trust in its capacity as the trustee for beneficiaries under Plan A who reside outside British Columbia, or by locating the address of those particular beneficiaries and delivering the materials directly, and (5) solely for the purpose of service of this Order for the Comeback Hearing, publication of a notice by the Monitor, substantially in the form attached as **Schedule "D"**, in the following newspapers: the Vancouver Sun, Victoria Times Colonist, and The National Post.

70. The Petitioner Parties shall be entitled to effect service of the Baarda Affidavit, the Third Affidavit of Brian Baarda affirmed January 31, 2012, and the First Affidavit of Jyotika Reddy affirmed January 30, 2012 (the "**Supporting Affidavits**") by effecting service of the Supporting Affidavits without the exhibits attached thereto. The Monitor shall post the Supporting Affidavits with the attached exhibits on the Monitor's Website at: [www.pwc.com/car-catalystpaper](http://www.pwc.com/car-catalystpaper).

71. Any Person that wishes to be served with any application and other materials in these proceedings must deliver to the Monitor by way of ordinary mail, courier, personal delivery or electronic transmission a request to be added to a service list (the "**Service List**") to be maintained by the Monitor. The Monitor shall post and maintain an up to date form of the Service List on its website at: [www.pwc.com/car-catalystpaper](http://www.pwc.com/car-catalystpaper).

72. Any party to these proceedings may serve any court materials in these proceedings by emailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor shall post a copy of all prescribed materials on its website at: [www.pwc.com/car-catalystpaper](http://www.pwc.com/car-catalystpaper).

73. Notwithstanding paragraphs 71 and 72 of this Order, service of the Petition, the Notice of Hearing of Petition, the Supporting Affidavits, this Order and any other pleadings in this proceeding (collectively, the "**Materials**"), shall be made on the federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

74. If service is required pursuant to the *Constitutional Question Act*, R.S.B.C 1996, c 68, for any application in this proceeding (other than the February 3, 2012 hearing), service shall be effected pursuant to that Act if service is effected five (5) calendar days before any such application.

## GENERAL

75. The Petitioner Parties or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

76. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioner Parties, the Business or the Property.

77. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, (including, without limitation, the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to (i) make such orders and to provide such assistance to the Petitioner Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, (ii) grant representative status to any of the Petitioners, and to CPC on behalf of any or all of the Petitioner Parties, in any foreign proceeding, and (iii) assist the Petitioner Parties, CPC, the Monitor and the respective agents of each of the foregoing in carrying out the terms of this Order.

78. Each of the Petitioners respectively and on its own behalf, and CPC on behalf of any or all of the Petitioner Parties, is hereby authorized and empowered, but not required, to (i) apply to any court, tribunal, regulatory, administrative, or other body, wherever located, for the recognition of this Order and/or for assistance in carrying out the terms of this Order, including, without limitation, to apply to the United States Bankruptcy Court for or otherwise pursue relief under chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended ("Chapter 15 Relief"), and (ii) act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada, including, without limitation, acting as a foreign representative of the Petitioner Parties in connection with any Chapter 15 Relief.

79. For the purposes of any applications authorized by paragraph 77, the centre of main interest of the Petitioner Parties is located in British Columbia, Canada.

80. The Petitioner Parties may (subject to the provisions of the CCAA and the BIA) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioner Parties determine that such a filing is appropriate.

81. The Petitioner Parties and the DIP Agent are hereby at liberty to apply for such further interim or interlocutory relief as it deems advisable within the time limited for Persons to file and serve Responses to the Petition.

82. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.

83. Any interested party (including the Petitioner Parties and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

84. This Order is subject to provisional execution and that if any of the provisions of this Order in connection with the DIP Facility or DIP Lender Charge shall subsequently be stayed, modified, varied, amended, reversed or vacated in whole or in part (collectively a "Variation") whether by subsequent order of this Court or on or pending an appeal from this Order, such Variation shall not in any way impair, limit or lessen the protections, rights or remedies of the DIP Lender, whether under this Order (as made prior to the Variation) or under any of the documentation delivered pursuant hereto, with respect to any advances made prior to the DIP Lender being given notice of the Variation.

85. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

86. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on the Order Date.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT.



Signature of

☐ Party ☒ Lawyer for the Petitioner Parties

Bill Kaplan, Q.C./Peter Rubin

BY THE COURT

  
REGISTRAR

Certified a true copy according to  
the records of the Supreme Court  
at Vancouver, B.C.

This 31 day of Jan 20 12

  
Authorized Signing Officer

**Schedule "A"**

**LIST OF ADDITIONAL PETITIONERS**

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

Pacifica Poplars Ltd.

Catalyst Pulp and Paper Sales Inc.

Elk Falls Pulp and Paper Limited

Catalyst Paper Energy Holdings Inc.

0606890 B.C. Ltd.

Catalyst Paper Recycling Inc.

Catalyst Paper (Snowflake) Inc.

Catalyst Paper Holdings Inc.

Pacifica Papers U.S. Inc.

Pacifica Poplars Inc.

Pacifica Papers Sales Inc.

Catalyst Paper (USA) Inc.

The Apache Railway Company

**Schedule "B"**

| <b>Name of Counsel</b> | <b>Party</b>                                                                      |
|------------------------|-----------------------------------------------------------------------------------|
| John Sandrelli         | A Representative Group of 2016 Noteholders                                        |
| D. Gruber              | A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders |
|                        |                                                                                   |
|                        |                                                                                   |
|                        |                                                                                   |

**Schedule "C"**

**"DIP Lenders' First Lien Collateral"** means, in respect of any of the Petitioner Parties, the following assets and property of such Petitioner Party, now owned or hereafter acquired:

- (a) all inventory, including goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, supplies and goods used in or procured for packing and materials used or consumed in the business of such Petitioner Party;
- (b) all accounts due or accruing and all related agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating to them;
- (c) all monies and claims for monies now or hereafter due and payable in connection with any or all of the property described in (a) and (b) of this definition, all present and future acquired deposit accounts and other accounts of such Petitioner Party (other than any Noteholder Proceeds Collateral Account and any proceeds of Notes First Lien Collateral on deposit therein), all cash, cash equivalents and other monies of such Petitioner Party and all cash and non-cash proceeds of the foregoing;
- (d) the real property legally described as PID: 001-233-432, District Lot 109, Sayward District, Except Parcel A (DD 285472-1) And Those Parts in Plans 1373-R, 16956, 50636, VIP54479, VIP64521 and EPP 7297;
- (e) the real property located on Vancouver Island, British Columbia, and more particularly described as DIP Lenders' First Lien Collateral in the DIP Credit Agreement;
- (f) the real property located in Washington State and more particularly described as DIP Lenders' First Lien Collateral in the DIP Credit Agreement;
- (g) all leasehold interests in real property other than the Notes Leasehold Collateral;
- (h) at any date, all and any rights or interest of the Petitioner Parties under any agreement, contract, license, instrument, document or other general intangible, in each case other than a leasehold interest in real property and other than any Excluded JV Interests (any such agreement, contract, license, instrument, document or other general intangible referred to solely for purposes of this definition as an "Interest") to the extent that such Interest by its terms, or any requirement of law, prohibits, or requires any consent (which has not been obtained) or establishes any other condition for or would terminate or be violated because of, an assignment thereof or a grant of a security interest therein by the Petitioner Parties (unless such consent is obtained or condition is satisfied);
- (i) with respect to any Person, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, shares, partnership interests or any other participation, right or other interest in the nature of an equity interest in such Person owned by any of the Petitioner Parties (other than any Excluded JV Interests) including, without limitation, common stock and preferred stock

of such Person, or any option, warrant or other security convertible into any of the foregoing (the "Capital Stock") and other equity interests owned at any time by any of the Petitioner Parties in any corporation, partnership, joint venture, limited liability company, association or other business entity;

- (j) all real property interests that are not fee interests or Notes Leasehold Collateral;
- (k) any interest in real property acquired after May 31, 2011 if the net book value of such interest is less than \$250,000;
- (l) all records, documents, instruments, documents of title, investment property, financial assets, instruments, chattel paper, supporting obligations, commercial tort claims, letters of credit and letter of credit rights and other claims and causes of action, in each case, in connection with the foregoing;
- (m) all substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in (a) through (l) inclusive of this definition; and
- (n) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in (a) through (m) inclusive of this definition, including the proceeds of such proceeds, but for greater certainty, excluding identifiable proceeds of Note First Lien Collateral.

For greater, certainty, any of the items set forth in this definition that are or become branded or otherwise produced through the use of any general intangibles or intellectual property shall constitute DIP Lenders' First Lien Collateral;

**"Notes First Lien Collateral"** means the assets and property of the Petitioner Parties charged by the 2016 Notes Security, including without limitation the following to the extent charged by the 2016 Notes Security, but excluding the DIP Lenders' First Lien Collateral and Excluded JV Interests:

- (a) each Noteholder Proceeds Collateral Account and the proceeds therein as described in clause (g) below;
- (b) all fee interests in any real property;
- (c) the leasehold interests for the lands and buildings located at 1050 United Boulevard, Coquitlam, British Columbia and legally described as PID: 017-513-294 Lot A District Lot 16 and 48 Group 1 New Westminster District Plan LMP1969 and in which a Petitioner Party has a leasehold interest pursuant to a lease made between a Petitioner Party (resulting from an assignment by Norske Skog Canada Limited), as tenant, and Balaclava Holdings Ltd., as landlord, dated as of the 1st day of December, 2003 and registered in the Vancouver/ New Westminster land title office under number BV500248, and the lands and buildings located at 10203 Robson Road, Surrey, British Columbia and legally described as PID: 004-501-110 Lot 14 District Lots 9, 10 and 11 Group 2 New Westminster District Plan 41612 and in which a Petitioner Party has a leasehold interest

pursuant to a sublease made between a Petitioner Party (resulting from an assignment by Norske Skog Canada Limited), as tenant, and Wesik Enterprises Ltd., as landlord, dated for reference the 12th day of June 1998 and registered in the Vancouver/New Westminster land title office under number BM250814; (ii) the leasehold interests arising under any waterlot or foreshore leases required for access to any of the facilities forming part of the Notes First Lien Collateral; and (iii) all other leasehold interests acquired by a Petitioner Party after the date of this order that the Court determines to be material to the business of Catalyst Paper Corporation (together, the **"Notes Leasehold Collateral"**);

- (d) all equipment, machinery, fixtures, plants, tools and furniture;
- (e) all intangibles and intellectual property;
- (f) all records, documents, documents of title, investment property, financial instruments, chattel paper, supporting obligations, commercial tort claims, letters of credit and letter of credit rights and other claims and causes of action, in each case, in connection with the foregoing;
- (g) all substitutions, replacements, accessions, products and proceeds (including, without limitation, insurance proceeds, payments, claims, damages and proceeds of suits) of any or all of the foregoing, including all identifiable proceeds of Notes First Lien Collateral, but for greater certainty excluding identifiable proceeds of DIP Lenders' First Lien Collateral.

**"Equity Securities"** means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting and non-voting) of, such Person's capital, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, debt securities, options or other rights exchangeable or convertible into any of the foregoing.

**"Governmental Authority"** means the government of Canada, the United States of America, any other nation or any political subdivision thereof, whether provincial, territorial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, Governmental Authority or other entity.

**"Subsidiary"** means , with respect to any Person, (a) any corporation of which an aggregate of more than 50% of the outstanding Equity Securities having ordinary voting power to elect a majority of the board of directors of such corporation is at the time, directly or indirectly, owned legally or beneficially by such Person (or one or more Subsidiaries of such Person), or with respect to which any such Person has the right to vote or designate the vote of 50% or more of such Equity Securities whether by proxy, agreement, operation of law or otherwise, and (b) any partnership, limited liability company or joint venture in which such Person or one or more Subsidiaries of such Person shall have an interest (whether in the form of participation in profits

or capital contribution) of more than 50% or of which any such Person is a general partner or member or may exercise the powers of a general partner or member.

**Schedule "D"**

No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND**

**IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c.  
C-44**

**AND**

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57**

**AND**

**IN THE MATTER OF CATALYST PAPER CORPORATION, CATALYST PULP  
OPERATIONS LIMITED, CATALYST PULP SALES INC., PACIFICA POPLARS LTD.,  
CATALYST PULP AND PAPER SALES INC., ELK FALLS PULP AND PAPER  
LIMITED, CATALYST PAPER ENERGY HOLDINGS INC., 0606890 B.C. LTD.,  
CATALYST PAPER RECYCLING INC., CATALYST PAPER (SNOWFLAKE) INC.,  
CATALYST PAPER HOLDINGS INC., PACIFICA PAPERS, U.S. INC., PACIFICA  
POPLARS INC., PACIFICA PAPERS SALES INC., CATALYST PAPER (USA) INC.,  
AND THE APACHE RAILWAY COMPANY**

On January 31, 2012, upon the application of Catalyst Paper Corporation and certain of its subsidiaries (the "Company"), the Supreme Court of British Columbia (the "Court") granted an Order (the "Initial Order") under the *Companies' Creditors Arrangement Act* providing for an initial stay of proceedings through to February 14, 2012. PricewaterhouseCoopers Inc. was appointed as monitor (the "Monitor"). The Initial Order and a list of creditors, as represented by the Company, can be accessed by referring to the Monitor's website at [www.pwc.com/car-catalystpaper](http://www.pwc.com/car-catalystpaper) (the "Website"). The Initial Order has provisions that affect the interest of creditors and other stakeholders of the Company. Interested parties are encouraged to check the Website frequently for updates as to the status of the proceedings. For further information, contact Ms. Patricia Marshall of PricewaterhouseCoopers Inc., at 604-806-7070 or by e-mail at [patricia.marshall@ca.pwc.com](mailto:patricia.marshall@ca.pwc.com).

No.

Vancouver Registry

IN THE SUPREME COURT OF BRITISH  
COLUMBIA

IN THE MATTER OF THE *COMPANIES'*  
*CREDITORS ARRANGEMENT ACT*, R.S.C.  
1985, c. C-36

AND IN THE MATTER OF THE CANADA  
BUSINESS CORPORATIONS ACT, R.S.C.  
1985, c. C-44

AND IN THE MATTER OF CATALYST  
PAPER CORPORATION AND THOSE  
CORPORATIONS DESCRIBED IN THE  
ATTACHED SCHEDULE "A"

PETITIONERS

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CCAA INITIAL ORDER (January 31, 2012)

---

Bill Kaplan, Q.C. / Peter Rubin  
Blake Cassels & Graydon LLP  
Barristers & Solicitors  
595 Burrard Street, PO Box 49314  
Suite 2600, Three Bentall Centre  
Vancouver, B.C. V7X 1L3  
Phone: 604.631.3300  
Agent: Dye & Durham

### VERIFICATION

Pursuant to 28 U.S.C. § 1746, Brian Baarda declares as follows:

I am the Vice President, Finance and Chief Financial Officer and duly authorized agent of Catalyst Paper Corporation, which was appointed as the foreign representative of 0606089 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings, Inc., Catalyst Paper General Partnership, Catalyst Paper Holdings Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc., Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., Pacifica Papers U.S. Inc., Pacifica Papers Sales Inc., Pacifica Poplars Inc., Pacifica Poplars Ltd, and The Apache Railway Company (collectively, the "Debtors"). I have full authority to verify the foregoing Chapter 15 Petition for Recognition of a Foreign Main Proceeding, and I am informed and do believe that the allegations contained therein are true and accurate to the best of my knowledge, information and belief.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 31st day of January, 2012.



Catalyst Paper Corporation, duly authorized  
foreign representative of the Debtors

By: Brian Baarda

Title: Vice President, Finance and  
Chief Financial Officer

**Miscellaneous:**[12-10234-PJW Elk Falls Pulp and Paper Limited](#)

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: JNTADMN

**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 10:47 PM EST and filed on 1/31/2012

**Case Name:** Elk Falls Pulp and Paper Limited**Case Number:** [12-10234-PJW](#)**Document Number:** [5](#)**Docket Text:**

Amended Petition to Recognize CCAA Proceeding (related document(s)[1]) Filed by Elk Falls Pulp and Paper Limited. (Durrer, Van)

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

**Document description:**Main Document**Original filename:**H:\temp\convert\TAB P - ELK FALLS PULP AND PAPER.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=1/31/2012] [FileNumber=10487847-0]  
][92991ce7671d9ced505c0eed23b44278a6ef9d2dc0604348171712f5a95f286b3d6  
7be45ad4647aec5afc861f6187199b04f3ea3c8e5391d348713c9099bd134]]

**12-10234-PJW Notice will be electronically mailed to:**

Van C. Durrer on behalf of Debtor Elk Falls Pulp and Paper Limited

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

**12-10234-PJW Notice will not be electronically mailed to:**