

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) 6/February/2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 6th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin and Anthony Purgas, counsel for the Petitioners, John Grieve and Kibben Jackson, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

1. Paragraph 25 of the Amended and Restated Initial Order of the Court dated February 3, 2012 shall be deleted in its entirety and replaced with the following:

25. (a) Those suppliers listed in **Schedule "C"** hereto are declared to be critical suppliers (each a "**Critical Supplier**" and collectively, the "**Critical Suppliers**") and shall in accordance with this paragraph, from February 7, 2012, continue to supply goods and services to the Petitioner Parties on such terms and conditions as are consistent with the supply relationship existing between the Critical Supplier and the Petitioner Parties as of January 27, 2012 (the "**Existing Supply Relationship**");

(b) (i) Each Critical Supplier shall only be required to provide credit to the Petitioner Parties up to an amount to be communicated to the Critical Supplier by the Monitor based on the Existing Supply Relationship (the "**Individual Credit Extension Amount**"); (ii) Other than goods or services ordered by the Petitioner Parties, the Petitioner Parties are entitled to refuse to take delivery of goods or services from a Critical Supplier if as a result of doing so the amount owing by the Petitioner Parties to that Critical Supplier would be greater than the Individual Credit Extension Amount; (iii) The Petitioner Parties shall not place an order for goods or services if, at the expected date of delivery of such goods and services such delivery would, pursuant to the terms and conditions of that Critical Supplier agreement, cause the Petitioner Parties to exceed the Individual Credit Extension Amount for such Critical Supplier; and (iv) If the Petitioner Parties receive supplies or services notwithstanding this subparagraph (b), the Critical Suppliers shall be entitled to claim payment in full of the amounts owing and the validity or amount of each Individual Critical Supplier Charge (as defined below) shall not be affected or impaired;

(c) No Critical Supplier shall be required to deliver goods or services to the Petitioner Parties: (i) if as a result of doing so the amount owing by the Petitioner

Parties to that Critical Supplier would be greater than the Individual Credit Extension Amount; or (ii) in circumstances where that Critical Supplier is not being paid for those goods or services in accordance with the terms and conditions of the Existing Supply Relationship;

(d) The Critical Suppliers are hereby granted a charge (the “**Critical Suppliers’ Charge**”) on the Charged Property as security for any amounts for which the Petitioner Parties become indebted to the Critical Suppliers for the supply of goods or services after February 6, 2012, including interest pursuant to subparagraph (j) below;

(e) Each Critical Supplier shall be entitled to an individual critical supplier charge (the “**Individual Critical Supplier Charge**”), which shall form part of the Critical Suppliers’ Charge, in an amount that is equal to 130% of the amounts referred to in subparagraph (d) above. Such Individual Critical Supplier Charge shall form part of the Critical Suppliers’ Charge. Each Individual Critical Supplier Charge shall rank *pari passu* with each other Individual Critical Supplier Charge and shall share rateably in any distribution of the proceeds of the Critical Suppliers’ Charge;

(f) Except as otherwise agreed by the Petitioner Parties and the applicable Critical Supplier, the Critical Suppliers that supply chips and pulp logs to the Petitioner Parties, shall supply, and the Petitioner Parties shall accept, volumes of product consistent with, and in the same relative proportions as, what was supplied and accepted in 2011;

(g) In the event the Petitioner Parties refuse to accept the delivery of any goods or services, or the delivery of such goods or services is not required to be made by the Critical Supplier as a result of the circumstances set out in subparagraph (c) above, the applicable Critical Supplier shall be permitted to sell such goods or services to any other person;

(h) The Monitor shall provide weekly reporting to each Critical Supplier, Fraser Milner Casgrain LLP as Canadian counsel to the 2016 Steering Group and Goodmans LLP as Canadian counsel to the Ad Hoc Noteholders as to the amount owing to each Critical Supplier according to the Petitioner Parties' records, and the Petitioner Parties shall provide all reasonable assistance to the Monitor in order for the Monitor to provide such reporting. The Monitor shall provide such further information as the 2016 Steering Group, the Ad Hoc Noteholders and the Critical Suppliers may reasonably require;

(i) The Critical Suppliers' Charge shall have the priority set out in paragraphs 51 and 52 herein;

(j) Each Critical Supplier shall be entitled to charge and be paid interest on the amounts owing to that Critical Supplier, for goods and services delivered after the date of, and pursuant to this paragraph, from the date of delivery of the applicable invoice at the rate of interest being charged by the DIP Lender plus 2.00% per annum, which Critical Supplier interest rate is currently equivalent to 5.00% per annum;

(k) The Critical Suppliers and the Petitioner Parties shall each cooperate in determining the prevailing terms and conditions of their Existing Supply Relationship, and the Critical Suppliers and the Petitioner Parties are hereby granted liberty to apply for such further orders or directions as may be necessary to resolve any disputes arising in connection with their supply relationships;

(l) Leave is hereby granted to any Critical Supplier to file and serve a Notice of Application at any time after March 11, 2012 seeking to amend or rescind the terms of this Critical Supplier Order as it applies to such Critical Supplier. In the event of such an application, the onus of maintaining the Critical Supplier Order shall be on the Petitioner Parties; and

(m) The Petitioner Parties shall pay the costs of (a) Tolko Industries Ltd.; (b) TimberWest Forest Corp.; (c) International Forest Products Limited, Western Forest Products Inc. and Seaspan Marine Corporation; and (d) Canexus Chemicals Canada LP. and Casco, Inc., (collectively the “**Four Critical Supplier Groups**”), in respect of this application and the negotiation of the Critical Suppliers’ Charge, on a special costs basis. Such special costs are fixed in the amount of \$15,000 for each of the above Four Critical Supplier Groups.

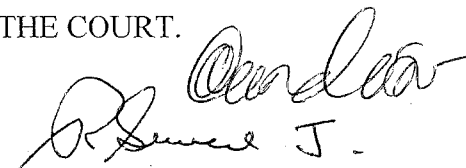
2. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

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

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"

Name of Counsel	Party
John Sandrelli	A Representative Group of 2016 Noteholders
Mary Buttery Lance Williams	Powell River Energy Inc. TimberWestForest Corp. Quadrant Investments Ltd.
Jane Milton, Q.C.	International Forest Products Limited Western Forest Products Inc. Seaspan Marine Corporation
Kendall Andersen	Tolko Industries Ltd.
David Gruber John Uhren (by telephone)	Certain holders of 2014 Notes and certain holders of 2016 Notes
Jonathan McLean Elizabeth Pillon (by telephone)	Canexus Chemicals Canada LP Casco, Inc.
Benjamin La Borie	Wilmington Trust FSB
Peter Reardon	JPMorgan Chase Bank, N.A.
Don Bobert	CEP Locals – 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Allison Tremblay	United Steelworkers International, Local 2688
David McKinnon	Ad hoc group of Noteholders
James Harnum	Robert McCaig