

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY

FEB 24 2012

ENTERED



IN THE SUPREME COURT OF BRITISH COLUMBIA

No. S120712
Vancouver Registry

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) 14/February/2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 14th day of February, 2012; AND ON HEARING, Bill Kaplan, Q.C. and Peter Rubin, 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:

INITIAL ORDER STAY EXTENSION

1. The stay of proceedings provided in the Order of this Court made herein on January 31, 2012 (the “**Initial Order**”) as amended on February 3, 2012 and February 6, 2012, is hereby extended to April 30, 2012 or such other date this Court may subsequently order.

MONITOR REPORTING

2. The Monitor shall file a report with the Court on the state of the Petitioners’ business and financial affairs pursuant to section 23(1)(d)(ii) of the *Companies Creditors Arrangement Act* no later than March 30, 2012.

DIRECTORS’ AND OFFICERS’ CHARGE

3. 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 (as defined in the Amended and Restated Initial Order of the Court dated February 3, 2012 (the “**Amended Order**”)), which charge shall not exceed the aggregate amount of \$31,000,000, as security for the indemnity provided in paragraph 28 of the Amended Order. The D&O Charge shall have the priority set out in paragraphs 51, 52, 54 and 55 of the Amended Order and all references in the Amended Order to the D&O Charge shall be a reference to the D&O Charge in this paragraph. Subject to further Order of the Court, the relief granted in this paragraph shall extend to and include February 23, 2012 at which time the relief sought shall be considered on a *de novo* basis.

AMENDED AND RESTATED INITIAL ORDER

4. Sub-Paragraph 12(c) of the Amended Order shall be deleted in its entirety and replaced with the following:

12. (c) are authorized and directed to remit, in accordance with legal requirements, or pay all employer (which includes for greater certainty employee contributions collected by the Petitioner Parties) normal cost contributions to defined benefit and defined contribution registered pension plan provisions 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 and such payments shall be made within four (4) business days of each payroll date with notice of such payments provided to the B.C. Superintendent of Pensions;

5. Paragraph 55 of the Amended Order shall be deleted in its entirety and replaced with the following:

55. 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 81.5 and 81.6 of the BIA (collectively, “**Encumbrances**”), in favour of any Person.

SERVICE, NOTICE AND CONFIRMATION

6. Service has been effected in accordance with the terms of the Initial Order to the interested parties described therein and notice has been provided to the secured creditors who are likely to be affected by the security or charges provided by the Orders of this Court (collectively, the “**Served Parties**”).

7. The relief granted pursuant to the Initial Order, as amended by Order of this Court on February 3, 2012 and February 6, 2012, is hereby confirmed and paragraph 80 of the Amended

Order shall not be operative in favour of any Served Party to seek to vary the provisions of the Amended Order relating to the DIP Facility or the DIP Lenders' Charge, without the prior consent of the DIP Agent.

8. Notwithstanding paragraphs 5 and 7 above, the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "USW") only, and no other person, is granted leave to pursue an application which shall be limited to seeking an Order of this Court granting those employees who are represented by the USW and working at the Petitioner Parties' Snowflake Arizona Mill (the "U.S. Employees") equivalent economic protections as available to the Canadian employees of the Petitioner Parties under: (a) sections 81.3 and 81.4 of the *Bankruptcy and Insolvency Act (Canada)*; (b) the *Wage Earner Protection Program Act (Canada)*; and (c) the D&O Charge as defined in the Amended Order. For greater certainty, the USW and the U.S. Employees shall not be entitled to the establishment of a trust fund and the granting of leave to the USW is not intended, and shall in no way be construed, as pre-judging the appropriateness of any the relief permitted to be sought by the application of the USW.

APPROVAL

9. 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:

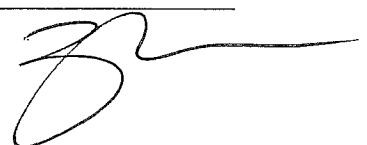


Signature of
 party lawyer for the Petitioner Parties
Bill Kaplan, Q.C. / Peter Rubin

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
Shane Kukulowicz Chris Ramsay Ryan Jacobs Michael Wunder (by telephone)	A Representative Group of 2016 Noteholders
Sebastien Anderson Stefanie Quelch	United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, Local 2688
Don Bobert	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
David Gruber Melaney Wagner Rob Chadwick (by telephone)	Certain 2014 Unsecured Noteholders and certain 2016 Noteholders
Randy Kaardal	Catalyst Timberwood Retired Salaried Employees Association
Harvey Chaiton Benjamin La Borie	Wilmington Trust FSB
Ari Kaplan James Baugh Demetrios Yiokaris (by telephone)	Ronald Gary McCaig and Certain Other Non-Union Employees and Retirees
Donnaree Nygard	Her Majesty the Queen in Right of Canada
Wael Rostom Jennifer Cockbill	JPMorgan Chase Bank, N.A.
Vasuda Sinha (by telephone)	Wells Fargo Bank NA
Heather Ferris Marc Wasserman (by telephone)	Board of Directors of Catalyst
Sandra Wilkinson	Superintendent of Pensions
Ken Lenz (by telephone)	Ad Hoc Committee of 2014 Noteholders
Mary Buttery	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.

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

Bill Kaplan, Q.C./Peter Rubin
BLAKE, CASSELS & GRAYDON LLP
Barristers and Solicitors
Suite 2600, Three Bentall Centre
595 Burrard Street, P.O. Box 49314
Vancouver, B.C. V7X 4L3
604.631.3300
Agent: Dye & Durham

50795275.1