

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

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	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. <sup>1</sup>	:	
	:	Related Docket Nos. 38, 78, 80, 81
	:	
-----	X	Hearing: March 5, 2012 (9:30 am EST)

**REPLY OF CATALYST PAPER CORPORATION TO**  
**(I) SECURED CREDITORS' RESPONSES TO AMENDED MOTION**  
**FOR FINAL RECOGNITION OF A FOREIGN PROCEEDING**  
**AND (II) OBJECTION OF 2014 NOTEHOLDERS TO FINAL**  
**RECOGNITION OF FOREIGN PROCEEDING AS TO U.S. DEBTORS**

Catalyst Paper Corporation ("CPC"), as the authorized foreign representative for itself and its above-captioned affiliates (collectively, the "Debtors" and, together with their non-debtor affiliates, the "Company") in a proceeding (the "CCAA Proceeding") under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, before the Supreme Court of British Columbia (the "Canadian Court"), hereby submits this reply (the "Reply") to (i) the *Response of Wilmington Trust, National Association, as Indenture Trustee, to Amended Motion for Final Recognition of a Foreign Proceeding* [Docket No. 80] (the "Wilmington Response"); (ii) the *2016 Noteholder Group's Response to*

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<sup>1</sup> These jointly administered cases are those of the following Debtors: 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") in addition to 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' Amended Motion for Provisional and Final Relief for Recognition of a Foreign Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521* [Docket No. 81] (the "2016 Response") and together with the Wilmington Response, together, the "Responses") and (iii) the *Objection of 2014 Noteholders to Final Recognition of Foreign Proceeding as to U.S. Debtors* [Docket No. 78] (the "Objection"), filed in response to CPC's *Amended Motion for Provisional Relief and Final Recognition of a Foreign Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521* [Docket No. 38] (the "Recognition Motion"). In further support of this Reply, CPC is filing the supporting declaration of Brian Baarda (the "Fourth Baarda Declaration") concurrently herewith, and respectfully represents as follows:

### **PRELIMINARY STATEMENT**

1. By the Recognition Motion, the Debtors seek recognition of their plenary reorganization proceeding under the CCAA. Three responses have been filed regarding the Recognition Motion: two reservations of rights by the Debtors' largest secured creditors (the "2016 Noteholders") and one purportedly substantive Objection by a group of unidentified unsecured bondholders (the "Objecting Noteholders") allegedly holding claims against the Debtors located in Canada and the United States. The Debtors are working to resolve the reservations of rights through an adequate protection arrangement the Debtors hope to present at the hearing on the Recognition Motion. Notably, no creditor holding claims solely against Debtors located within the United States has lodged any objection to recognition, and there is no dispute regarding the propriety of chapter 15 recognition for Debtors domiciled in Canada.

2. The Objecting Noteholders, however, mischaracterize the underlying facts as well as the relief requested by the Debtors, and their Objection should be overruled for several reasons. First, the Objecting Noteholders voluntarily entered a credit arrangement with Debtors

headquartered in Canada and hold only guarantees against the Debtors located in the United States; it is therefore disingenuous for them to complain regarding the restructuring proceedings in Canada. Second, the Objecting Noteholders appear to misunderstand the law of recognition under chapter 15 of the Bankruptcy Code. Nonetheless, in an abundance of caution, the Debtors have proposed modifications to the proposed order of recognition to address the Objection as necessary. Accordingly, for the reasons discussed in more detail below, the Objection should be overruled and recognition granted with entry of one of the final orders (the “Recognition Order” or, in the alternative, the “Alternative Recognition Order,” together, the “Orders”) substantially in the form attached hereto as Exhibit A and Exhibit B respectively, depending upon whether the Court concludes that the CCAA Proceeding is a foreign main or nonmain proceeding with respect to the U.S. Debtors.

### **BACKGROUND**

3. On January 17, 2012 (the “Petition Date”), the Debtors filed and served notice of their motion for protection (the “CBCA Proceeding”) under Canada’s Canada Business Corporations Act, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) before the Canadian Court. On the Petition Date, the Debtors also commenced their chapter 15 cases by filing petitions pursuant to §§ 1504 and 1515 of the Bankruptcy Code (collectively, the “Chapter 15 Cases”).

4. As discussed in the Recognition Motion, the Debtors originally commenced the CBCA Proceeding in the Canadian Court, having reached a preliminary consensual arrangement with (i) the representatives of certain holders of the unsecured 7.375% senior notes due March 1, 2014 (the “2014 Noteholders”), pursuant to that certain Indenture, dated as of March 23, 2004, by and among Norske Skog Canada Limited, as Issuer, the Guarantor Parties and Wells Fargo Bank, National Association, as Trustee as amended, supplemented and modified (the “2014

Indenture”)<sup>2</sup> and (ii) the representatives of certain 11% senior secured notes due December 15, 2016 (the “2016 Noteholders”) pursuant to (x) that certain Indenture, dated as of March 10, 2010, by and between CPC, as Issuer, the Guarantor Parties, Wilmington Trust FSB (“Wilmington”), as Trustee, and Computershare Trust Company of Canada, as Collateral Trustee (the “2016 Class A Indenture”) and (y) that certain Indenture, dated as of May 19, 2010, by and between CPC, as Issuer, the Guarantor Parties, Wilmington, as Collateral Trustee (the “2016 Class B Indenture” and together with the 2016 Class B Indenture, the “2016 Indenture”). The terms of that preliminary nonconsensual arrangement are reflected in the restructuring support agreement (the “RSA”).<sup>3</sup> Among other things, and contrary to the allegations contained in the Objection (Objection, ¶ 14), the RSA provided (in conjunction with the CBCA Proceeding) that trade creditors would be unimpaired. The RSA further provided that if the Debtors could not obtain a requisite level of support, including by their union employees, by January 31, 2012, the RSA would be subject to termination. The Debtors, unfortunately, were unable to obtain the required support from the relevant stakeholders and had little choice but to seek protection under the CCAA.

5. On January 31, 2012, the Debtors commenced the CCAA Proceeding, and the Canadian Court entered an initial order dated January 31, 2012 annexed to each of the amended chapter 15 petitions (the “Initial CCAA Order”) (i) finding that the British Columbia

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<sup>2</sup> Later supplements to the 2014 Indenture clarified that CPC, one of the Canadian Debtors, was the successor to Norske Skog Canada Limited.

<sup>3</sup> Months prior to entering into the RSA, however, the Company had begun negotiating with the representatives of the 2014 Noteholders and the 2016 Noteholders in an attempt to begin restructuring its obligations. Indeed, as part of this effort, confidentiality agreements were entered into with such representative, starting in the Fall of 2011, to aid in the flow of information for the purpose of restructuring. Certain of the Objecting Noteholders did not execute confidentiality agreements until January 30, 2012.

headquarters of CPC was the center of main interests with respect to all of the Debtors (including the U.S. Debtors), (ii) appointing the independent fiduciary PricewaterhouseCoopers as monitor (the “Monitor”) of the CCAA Proceedings, (iii) authorizing CPC to serve as foreign representative of the Debtors, (iv) providing a stay with respect to enforcement of remedies against the Debtors’ assets, and (v) provisionally approving the DIP Facility, as well as the DIP term sheet and commitment letter, dated January 13, 2012, each attached to the Third Baarda Declaration, subject to a hearing before the Canadian Court on February 3, 2012. See Initial CCAA Order, ¶¶ 79, 29, 78, 19, 40. None of the 2014 Noteholders objected to the entry of the Initial CCAA Order or any of its findings, nor has any 2014 Noteholder opposed or objected to the Initial CCAA Order during subsequent proceedings.

6. On January 31, 2012, the Debtors also filed the Recognition Motion and the amended chapter 15 petitions (collectively, the “Amended Chapter 15 Petitions”) seeking recognition of the CCAA Proceeding as a “foreign main proceeding” as defined in §§1502(4) and 1517(b)(1) of the Bankruptcy Code. In the alternative, pursuant to the Recognition Motion, the Debtors sought recognition of the CCAA Proceeding as a “foreign main proceeding” as defined in §§ 1502(4) and 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors, and recognition of the CCAA Proceeding as a “foreign nonmain proceeding” as defined in §§ 1502(5) and 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors.

7. At the hearing held on February 3, 2012, the Canadian Court entered an order granting final approval of the DIP Facility (the “CCAA DIP Order”).

8. On February 8, 2012, this Court entered an order enforcing and giving full force and effect to the CCAA DIP Order and any related orders entered by the Canadian Court, and extending certain provisional relief in aid of the CCAA DIP Order as evidenced by the *Order for*

*Provisional Relief Enforcing Canadian Court Order in Connection with Debtor in Possession Financing Pursuant to 11 U.S.C. §§ 105(A), 1519 and 1521* [Docket No. 60] (the “US DIP Order”). The US DIP Order also contained a provision protecting the rights of 2016 Noteholders and Wilmington to request adequate protection in the future. US DIP Order, ¶ 8. None of the 2014 Noteholders objected either to entry of the CCAA DIP Order or the US DIP Order.

9. Since January 31, 2012, the Debtors have participated in or witnessed strident negotiations among their various stakeholders including the 2016 Noteholders and the 2014 Noteholders in particular, in an effort to arrive at a consensual restructuring that would, among other thing, provide significant value to unsecured creditors, including the 2014 Noteholders. Although the Debtors and their representatives have met with the Objecting Noteholders on multiple occasions, the Objecting Noteholders have never made a restructuring proposal to the Debtors, although the Debtors understand that the Objecting Noteholders have made proposals directly to the 2016 Noteholders. It is obvious that such proposals have been unsuccessful to date.

10. Further background regarding the Debtors’ operations and the events leading up to the restructuring are detailed in the Recognition Motion and the *Second Declaration of Brian Baarda* [Docket No. 39] filed in support thereof.

### **ARGUMENT**

#### **A. The Debtors Have Met the Statutory Requirements for Recognition of the CCAA Proceeding With Respect to All Debtors**

11. In attempt to derail the Debtors’ restructuring process, the Objecting Noteholders complain that the U.S. Debtors cannot meet the requirements under the Bankruptcy Code for recognizing the CCAA Proceeding as either a foreign main proceeding as or a foreign nonmain

proceeding. Objection, ¶ 21. Among other things, the Objecting Noteholders suggest that the U.S. Debtors should commence a more lengthy, expensive chapter 11 process.<sup>4</sup> Objection, p. 2. The Objecting Noteholders do not dispute that the CCAA Proceeding should be recognized with respect to the Canadian Debtors.

12. The relevant statute, Bankruptcy Code § 1517, provides that:

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

(1) such foreign proceeding for which recognition is sought is a foreign main proceeding or foreign nonmain proceeding within the meaning of section 1502;

(2) the foreign representative applying for recognition is a person or body; and

(3) the petition meets the requirements of section 1515.

11 U.S.C. §1517(a)

13. Thus, an order recognizing a foreign proceeding must be entered if the above requirements are met. There is no dispute that CPC is the properly appointed foreign representative of the Debtors pursuant to the Initial CCAA Order. Likewise, there is no dispute that the Amended Petitions satisfy the largely technical requirements of Bankruptcy Code § 1515. Rather, the Objecting Noteholders contend that the requirements of Bankruptcy Code §1517(a)(1) are not satisfied because the U.S. Debtors have no “establishment” in Canada or, if even they do, British Columbia is not their center of main interests (the “COMI”). As discussed below, the

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<sup>4</sup> Notably, as explained in more detail in section C(2) below, the only (arguable) benefits that would arise in a chapter 11 process for the Objecting Noteholders would be the reimbursement of their professionals’ fees were the Objecting Noteholders to be appointed to an official committee of creditors with the choice of selecting counsel. Ironically, in chapter 11, Rule 2019 of the Federal Rules of Bankruptcy Procedure would require the Objecting Noteholders to disclose details regarding their identity and their holdings as 2014 Noteholders.

caselaw cited by the Objecting Noteholders actually supports a finding that the U.S. Debtors' COMI is located at CPC's Canadian headquarters.

1. The CCAA Proceeding is a Main Proceeding as to All Debtors

14. The Objecting Noteholders claim that “the U.S. Debtors’ COMI is in the United States, not Canada” and argue that the U.S. Debtors have not overcome the presumption that the their U.S. registered offices (and U.S. incorporation) indicate a COMI in the United States. Objection, ¶¶23-24. The Objecting Noteholders misinterpret the very cases that they cite in support of their contentions—cases where the courts have held that the presumption related to registered offices was indeed overcome. Specifically, the most important factor considered by courts on this point is the location where the debtor conducts administration of its interests on a regular basis. In other words, the location of a debtors’ “nerve center” is paramount in determining COMI for the purposes of recognition in Chapter 15 and overshadows any presumptions based on the location of a debtor’s registered office. See In re Bear Stearns High-Grade Structured Credit Strategies Master Fund, Ltd. (In re Bear Stearns), 374 B.R. 122, 131 (Bankr. S.D.N.Y. 2007).<sup>5</sup> See also Hertz Corp. v. Friend, 130 S.Ct. 1181, 1192 (adopting the “nerve center” approach and defining “principal place of business” as referring to “the place where a corporation’s officers direct, control, and coordinating the corporation’s activities”); In re Fairfield Sentry Ltd., Case No. 10-13164 (Bankr. S.D.N.Y. July 22, 2010) (adapting the holding of Hertz Corp. to find that a chapter 15 debtor’s COMI is defined by the location of its “nerve center”); Tradex Swiss AG, 384 B.R. 34, 42 (Bankr. D. Mass. 2008) (“COMI is not

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<sup>5</sup> Bear Stearns was cited throughout the Objection even though the court’s reasoning in that case clearly supports recognition of the CCAA Proceeding as a foreign main proceeding. See Objection, ¶¶ 32-33.



defined by the Code, [but has] been described as similar to the concept of principal place of business”).

15. Additionally, the *Guide To Enactment of the UNCITRAL Model Law on Cross-Border Insolvency* (the “UNCITRAL Guide”) explains that the use of the COMI concept in order to determine foreign main proceedings was modeled on the use of the same concept in the European Union Convention on Insolvency Proceeding (the “EU Convention”). See United Nations General Assembly, Guide to Enactment of the UNCITRAL Model Law on Cross-Border Insolvency, ¶ 31, U.N. Doc. A/CN.9/442 (1997) available at <http://www.uncitral.org/pdf/english/texts/insolven/insolvency-e.pdf>. Importantly, the regulation adopting the EU Convention described the COMI concept as “the place where the debtor conducts the administration of his interests on a regular basis and therefore ascertainable by third parties.” (EC) No. 1346/2000, ¶13; see also Bear Stearns, 374 B.R. at 129.

16. It is evident then, when determining the COMI for debtors, a court should look beyond the registration office and place of incorporation in favor of other, more relevant factors such as the debtors’ nerve center. Indeed, Judge Burton Lifland in Bear Stearns, acknowledged as an authority on these matters by the Objecting Noteholders (Objection, n.22), explicitly held that the place where the debtors “conduct the administration of their interests on a regular basis” or the “real seat” of decision making was more relevant than the debtors’ place of incorporation or registered office. 374 B.R. at 129-31. Incidentally, in Bear Sterns, the bankruptcy court found that the presumption that the registered office indicated COMI was overcome where the debtors were incorporated and had a registered office in the Cayman Islands, but maintained their nerve center in New York. 374 B.R. at 133. In coming to such decision, the court focused on the fact that “the Administrator that runs the back-office operations ... along with the

[debtors'] books and records and ... all of the [debtors'] liquid assets" were located in the United States, not the Cayman Islands. 374 B.R. at 129-30.

17. Here, the facts are similar, albeit leading to the opposite result in favor of recognition of the CCAA Proceeding as the foreign main proceeding under §1502. As noted in the *Second Declaration of Brian Baarda* [Docket No. 39] (the "Second Baarda Declaration"), Richmond, British Columbia ("B.C."), Canada "is the location of the Debtors' headquarters and is the nerve center of the Debtors' management." Second Baarda Declaration, ¶ 29. The Debtors and their non-debtor affiliates are operationally and functionally integrated in many respects and most importantly are subject to centralized senior management based in Richmond, B.C. *Id.* Indeed, various critical functions are performed for the U.S. Debtors and the Canadian Debtors alike out of the Richmond office. *Id.* Some of these key functions, relevant here, include the following:

- (a) the operations of the Company are directed from the Company's head office in Richmond;
- (b) all of the Debtors report to CPC, which is headquartered at the Company's head office in Richmond;
- (c) corporate governance for the Company is directed from Canada;
- (d) the directors and officers of the United States Debtors perform their duties in Richmond<sup>6</sup>;
- (e) the Company's tax, treasury and cash management functions are managed from Richmond and local plant finance staff report to senior finance management in Richmond;
- (f) the Company's information technology and systems are directed from Richmond;

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<sup>6</sup> Only one member of the senior management team, the head of CPC's sales department, is stationed outside of Richmond in Seattle, Washington.

- (g) the Company's human resources functions are administered from Richmond and all local human resources staff report into Richmond; and
- (h) management and senior staff of the Company regularly attend meetings in Richmond.

Id.

18. Additionally, in the CCAA Initial Order, the Canadian Court specifically found that “[f]or the purposes of any applications authorized by [this order], the centre of main interest of the Petitioner Parties is located in British Columbia, Canada.” CCAA Initial Order, ¶ 79. Notably, the Objecting Noteholders did not object to this finding by the Canadian Court at the initial hearing or subsequently.

19. Accordingly, Richmond, B.C., Canada is clearly the “real seat” or the “nerve center” of the entire Company, including the U.S. Debtors, and this fact is ascertainable by third parties. While certain production might occur in the United States, all management and all final decisions must be approved in Canada, including human resources and information technology decisions. The Objecting Noteholders do not dispute (nor have they even offered any admissible evidence at all to contradict) that the U.S. Debtors’ ultimate decision-makers are located in British Columbia, and that all of the strategic, financial and day-to-day direction of such entities occurs exclusively in B.C. Consequently, the COMI for the U.S. Debtors is Canada and as such, the CCAA Proceeding should be recognized as a foreign main proceeding.

20. Furthermore, bankruptcy courts, in this district, have recognized foreign insolvency proceedings as foreign main proceedings with respect to U.S. debtors under similar circumstances. See, e.g., In re Fraser Papers, Inc., Case No. 09-12123 (Bankr. D. Del. July 13, 2009) Case No. 09-12123 (KJC) (Bankr. D. Del. July 13, 2009) (recognizing Canadian proceeding as foreign main proceeding with respect to 2 Canadian debtors and 4 U.S. debtors);

In re Angiotech Pharm., Case No. 11-10269 (KG) (Bankr. D. Del. Feb. 22, 2011) (recognizing Canadian proceeding as foreign main proceeding with respect to 14 U.S. debtors and 3 Canadian debtors). The Debtors submit that such relief is similarly appropriate in this instance.

2. Alternatively, the CCAA Proceeding Is a Nonmain Proceeding as to the U.S. Debtors

21. If the CCAA Proceeding is not considered a foreign main proceeding within the meaning of §1502 of the Bankruptcy Code, it should at least be considered the foreign nonmain proceeding of the U.S. Debtors. The Objecting Noteholders argue that the CCAA Proceeding should not be recognized as a foreign nonmain proceeding because, they claim, none of the U.S. Debtors have an “establishment” in Canada. Objection, ¶¶28-30. Specifically, the Objection states that an establishment is equivalent to a “local place of business.” *Id.* This argument, however, strains the plain meaning of “establishment” which is “any place of operations where the debtor carries out a nontransitory economic activity” as set forth in §1502(2) (emphasis added) and exaggerates the relevant caselaw.

22. As noted above and in the Second Baarda Declaration, significant (if not the most significant) management functions of the U.S. Debtors occur in Richmond, B.C. ranging from long term strategy decisions to personnel decisions to technology decisions. Further, as conceded by the Objecting Noteholders, bank accounts, cash functions and principal cash management for the U.S. Debtors also occurs in Richmond, B.C. Objection, ¶ 31. Such substantive and economic management of the U.S. Debtors clearly qualifies as “nontransitory economic activity” and merits recognition of the CCAA Proceeding at least as a foreign nonmain proceeding with respect to the U.S. Debtors.

23. In addition, courts adopting a pragmatic interpretation of § 1502 have recognized a foreign nonmain proceeding if (i) such foreign proceeding provides a reasonable winding up process and (ii) no negative consequences could result from such recognition. See, e.g., In re SPhinX, 371 B.R. 103, 112 (Bankr. S.D.N.Y. 2006) aff'd 371 B.R. 10 (S.D.N.Y. 2007) (recognizing the insolvency proceeding occurring in the Cayman Islands as a foreign nonmain proceeding within the meaning of Bankruptcy Code §1502(5) and §1517 despite the absence of daily operations in the Cayman Islands).

24. Contrary to the claims of the Objecting Noteholders, it is not necessary that the U.S. Debtors conduct manufacturing, distribution or other operations in Canada in order for this Court to recognize the CCAA Proceeding as the foreign nonmain proceeding of the U.S. Debtors. Rather, this Court may grant such recognition based on the fact that (i) the U.S. Debtors have an “establishment” in British Columbia; (ii) the CCAA Proceeding is already providing a restructuring process similar to that provided in the U.S. and (iii) only positive consequences (i.e., the efficient administration of the Debtors’ estates) would result from recognition of such a proceeding as further explored in section B(2) below. Indeed, as the Objecting Noteholders’ Delaware counsel is aware (because it represented the debtors in contested proceedings with the Office of the United States Trustee), there is precedent in this district for such a ruling in virtually identical circumstances. See, e.g., In re Mega Brands Inc., Case No. 10-10485 (CSS) (Bankr. D. Del. Mar. 23, 2010) (recognizing Canadian proceeding as foreign main proceeding with respect to 7 Canadian debtors and foreign nonmain proceeding with respect to 3 U.S. debtors).

**B. The Recognition Relief Requested by the Debtors Is Appropriate and Proper under Chapter 15 of the Bankruptcy Code**

25. Finally, the Objecting Noteholders misunderstand or misstate the effect of recognition and the relief requested by the Debtors, arguing that the relief requested is overbroad or otherwise improper. Objection, ¶¶ 13, 38-40. To the contrary, whether the Court determines that the CCAA Proceeding is a foreign main or nonmain proceeding as to the U.S. Debtors, the relief requested in the proposed orders submitted by the Debtors should be granted.

1. Foreign Proceedings Are Recognized Rather than Individual Orders

26. The Objecting Noteholders mistakenly contend that “CPC is not entitled to *carte blanche* recognition of all past and future orders in the CCAA Proceeding ... but rather is required to present reasons that each such order should be approved....” Objection, ¶ 39. This particular objection, however, misunderstands the Recognition Motion and chapter 15 proceedings generally.

27. The Debtors, through the Recognition Motion, are only seeking recognition of the CCAA Proceeding as a foreign main (or nonmain) proceeding pursuant to the terms of Bankruptcy Code §1517. Indeed, chapter 15 of the Bankruptcy Code governs recognition of the a “foreign proceeding,” not individual orders. It is commonly understood, nevertheless, that such recognition of a foreign proceeding, with limited exception, necessarily includes recognition of the orders entered in that foreign proceeding. See, e.g., In re Mega Brands Inc., Case No. 10-10485 (CSS) (Bankr. D. Del. Mar. 23, 2010) (paragraph 8 of the recognition order states “all orders entered by the Canadian Court in the Canadian Proceeding ... shall be given full faith and credit in the United States ... and shall be upon their entry in the Canadian Proceeding immediately valid and fully enforceable as to the Chapter 15 Debtors and their

property and assets in the United States”). Nonetheless, in an attempt to limit contested issues, the Debtors have amended the proposed Orders to clarify that the foreign main (or nonmain) proceeding is being recognized consistent with § 1517 and have eliminated additional unnecessary language regarding specific orders. Blacklines of the amended Orders (compared against the previous versions submitted to the Court) are attached hereto as Exhibit C and Exhibit D (collectively, the “Blacklines”).

2. Recognition of the CCAA Proceeding as a Foreign Main Proceeding Does Invoke the Protections of the Bankruptcy Code Identified by the Objecting Noteholders

28. The Objecting Noteholders claim that the Debtors are attempting to use the chapter 15 process to “obtain the benefits of bankruptcy protection without affording its United States stakeholders any of the transparency or other protections associated with a case under the Bankruptcy Code.” Objection, p.2. This argument, however, ignores that § 1520 automatically renders various protections under §§ 361, 362, 363, 549, and 552 applicable to the Debtors upon recognition of the foreign main proceeding. Finally, even if this court chooses to recognize the CCAA Proceeding as a foreign nonmain proceeding, there are various protections proposed in the Orders to protect key U.S. stakeholders’ rights upon a sale or in the case of assumption and assignment of contracts. See Orders, ¶¶ 4-5 (noting protections under §§ 363 and 365).

29. Pursuant to § 1520(a), once a bankruptcy court recognizes a foreign main proceeding, various Bankruptcy Code protections will automatically apply to the Chapter 15 Cases with respect to the property of the Debtors within the territorial jurisdiction of the United States. Specifically, § 1520(a) provides:

(a) Upon recognition of a foreign proceeding that is a foreign main proceeding –

(1) sections 361 and 362 apply with respect to the debtor and the property of the debtor that is within the territorial jurisdiction of the United States;

(2) sections 363, 549, and 552 apply to a transfer of an interest of the debtor in property that is within the territorial jurisdiction of the United States to the same extent that the sections would apply to property of an estate;

(3) unless the court orders otherwise, the foreign representative may operate the debtor's business and may exercise the rights and powers of a trustee under and to the extent provided by sections 363 and 552; and

(4) section 552 applies to property of the debtor that is within the territorial jurisdiction of the United States.

11 U.S.C. § 1520(a)

30. For instance, the Objecting Noteholders complain about the potential sale of assets without notice or approval. Objection, ¶¶ 39, 40. As required by § 1520, however, the revised Orders contemplate a separate approval process before the U.S. Bankruptcy Court for such sales outside of the ordinary course of business. Orders, ¶4. Furthermore, the Debtors have deleted from the form of Orders injunctive language that is addressed, upon recognition, by the automatic stay of § 362. See Objection, ¶13 (bullets 1&3). Blacklines, p. 5. Finally, as demanded by the Objecting Noteholders, the Debtors have also specifically requested that § 365 apply to their proceedings. See Orders, ¶5.

31. In the event that the Court determines to grant the alternative relief requested by the Debtors of recognition of the CCAA Proceeding as a foreign nonmain proceeding, the Court should still order that these protections apply, as authorized by § 1521. In order to qualify for such relief, the Debtors, through their foreign representative, must demonstrate that the requested relief is “necessary to effectuate the purposes of this chapter and to protect the assets of the debtor or the interests of the creditors. . . .” 11 U.S.C. § 1521(a). Inasmuch as the Objecting Noteholders complain regarding the potential absence of these protections, they have effectively



conceded that the proposed Alternative Recognition Order should be entered because, in their own word, the protections are necessary to protect the interests of creditors. In addition, as demonstrated in the Second Baarda Declaration, such relief is also necessary to protect the assets of the Debtors. Second Baarda Declaration, ¶38.

32. The other “protections” identified by the Objecting Noteholders are either unnecessary or moot. For instance, the Objecting Noteholders refer in the Objection to the rights of labor unions under § 1113. Objection, ¶ 40. The Debtors have no intention of rejecting any collective bargaining agreements under the Bankruptcy Code or any equivalent statute available under the CCAA, nor have they ever suggested as much. See Fourth Baarda Declaration, ¶ 5. The Objecting Noteholders mention the formation of a creditors committee, but they ignore the existence of the independent Monitor, who already serves a comparable oversight function. Objection, ¶ 40. Finally, the Objecting Noteholders refer to the rights of junior lienholders under § 364, but they fail to acknowledge that the Debtors have already obtained approval of their post-filing financing, and have no design to seek any alternative or replacement financing under such statute. See Objection, ¶40, Fourth Baarda Declaration, ¶ 6.<sup>7</sup>

3. Adequate Protection for 2016 Noteholders Is Appropriate Following Recognition

33. The Orders also seek to provide adequate protection to 2016 Noteholders upon recognition as noted above and requested in the Responses. Because §§ 361, 362, 363 and 552 all apply to property of the Debtors located within the territorial jurisdiction of the United States

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<sup>7</sup> Notably, the Objecting Noteholders fail to explain how they possess standing to assert the alleged rights of labor unions and junior lienholders. The Objecting Noteholders represent themselves as solely 2014 Noteholders. Objection, p. 1.

upon recognition, it is appropriate for the 2016 Noteholders to request, and for the Debtors to agree to provide, appropriate adequate protection. See 11 U.S.C. 1520.

34. Particularly, such adequate protection is necessary to ensure that the Debtors continue to be authorized to use cash collateral of the 2016 Noteholders within the meaning of § 363(a). The proposed Orders both provide for adequate protection for the 2016 Noteholders in exchange for such use and other potential diminution in their collateral. Orders, ¶¶ G, 9. Such adequate protection includes (i) the provision of replacement liens as provided in the orders, (ii) a superpriority claim pursuant to Bankruptcy Code §507 equivalent to an amount equal to the diminution in value of the 2016 Noteholders' collateral and (iii) reimbursement of certain fees and expenses as further outlined in the Orders. Orders, ¶ 9.

**C. Public Policy Favors Recognition of the CCAA Proceeding for All of the Debtors**

35. The Objecting Noteholders make passing references to § 1506 which prohibits recognition if to grant such relief would be “manifestly contrary to the public policy of the United States.” Objection, ¶ 37. To the contrary, public policy favors recognition here.

1. Chapter 15 Policy Considerations Favor Recognition

36. To begin with, the Bankruptcy Code specifically states that chapter 15 was enacted to facilitate the relief sought in the Recognition Motion (i.e., recognition of foreign insolvency proceedings). Bankruptcy Code §1501(a) provides:

The purpose of this chapter is to incorporate the Model Law on Cross-Border Insolvency so as to provide effective mechanisms for dealing with cases of cross-border insolvency with the objectives of (1) cooperation between (A) courts of the United States, United States trustees, trustees, examiners, debtors, and debtors in possession; and (B) the courts and other competent authorities of foreign countries involved in cross-border insolvency cases; (2) greater legal certainty for trade and investment; (3) fair and efficient administration of cross-border insolvencies that protects the interests of all creditors, and other interested entities, including the

debtor; (4) protection and maximization of the value of the debtor's assets; and (5) facilitation of the rescue of financially troubled businesses, thereby protecting investment and preserving employment.

11 U.S.C. §1501(a)

37. The statute itself thus indicates that courts should cooperate with foreign insolvency proceedings to the extent possible in an effort to ensure efficient administration and maximum distribution to creditors. See In re Daewoo Logistics Corp., 461 B.R. 175, 178 (Bankr. S.D.N.Y. 2011) (noting that Chapter 15 “specifically contemplates that principles of comity and cooperation with a domestic court’s foreign counterpart should inform” the relief granted); Bear Stearns, 374 B.R. at 126 (explaining that the “express objective” of chapter 15 is “cooperation between United States courts ... and the courts ... of foreign countries”).

38. The relief requested by the Recognition Motion should only be denied (i) if the requirement of §1517 are not met or (ii) if relief would be “manifestly contrary to the public policy of the United States.” 11 U.S.C. § 1506. As demonstrated in the Recognition Motion and as discussed above, all of the requirements of §1517 have been met because the CCAA Proceeding clearly qualifies as a main proceeding or nonmain foreign proceeding. The §1506 “public policy” exception rarely applies because it has been narrowly construed and only prevents recognition of a foreign proceeding in extraordinary circumstances not present here. See In re Ernst & Young, Inc., 383 B.R. 773, 781 (Bankr. D. Colo. 2008) (declining to apply the public policy exception to deny recognition on the basis that “this exception is to be applied narrowly, and should be invoked only when the most fundamental policies of the United States are at risk”); In re Qimonda AG Bankruptcy Litigation, 433 B.R. 547, 570 (E.D. Va. 2010) (holding that the public policy exception may be implicated where “the procedural fairness of the foreign proceeding is in doubt” or the proposed action may “frustrate a U.S. court’s ability to

administer the Chapter 15 proceeding” or “would impinge severely a U.S. constitutional or statutory right”).

39. Here, no fundamental policies of the United States are at risk nor would any require a denial of recognition. As noted above, the Debtors have responded to every single contention that the Objecting Noteholders have raised and provided statutory and caselaw authority, precedent in this jurisdiction and factual support for the relief requested. There simply is no policy reason to reject recognition.

2. Separate U.S. Proceedings Would Not Be in the Best Interests of Debtors’ Estates

40. To the contrary, requiring the U.S. Debtors to file a separate plenary reorganization proceeding in the United States (as suggested by the Objecting Noteholders, Objection, pp. 3-4) would only have negative consequences for the Company, the U.S. Debtors and the creditors of the U.S. Debtors. Indeed, during contingency planning the principals of the U.S. Debtors (all of which are located in Canada) considered filing a chapter 11 case in order to take advantage of certain tools provided by that chapter (i.e., cramdown) in order to facilitate a restructuring. Fourth Baarda Declaration, ¶ 4. Nevertheless, the determination was made that such a U.S. process would cause unnecessary expenses to the Debtors’ estates (and its creditors) and potentially violate public policy given the Debtors’ strong ties to Canada. Id. Because the Company is widely considered a Canadian Company and the CCAA provided a reasonable restructuring procedure, the CCAA route was chosen. Id.

41. The Objection on this basis, therefore, should be ignored. It is a clear attempt by the Objecting Noteholders to (i) gain leverage in a process they have not been able to control and (ii) gain potential reimbursement of legal fees. In reality, the 2014 Noteholders, including the

Objecting Noteholders, were aware that they were entering a contractual relationship with a Canadian issuer with mostly Canadian guarantors pursuant to the 2014 Indenture. As such, a Canadian restructuring process must have been anticipated. The Objecting Noteholders cannot seriously contend that a concurrent (and costly) U.S. proceeding would improve the distributions to the U.S. creditors or the 2014 Noteholders. Interestingly, a U.S. process (and specifically cramdown) could work to the specific disadvantage of the 2014 Noteholders as a class. The better, more efficient path is provided by the chapter 15 recognition route proposed in the Recognition Motion and the Amended Petitions.

### **CONCLUSION**

CPC respectfully requests that this Court (i) overrule the Objection, (ii) enter one of the Orders, substantially in the form attached hereto as Exhibit A or Exhibit B, including the relief proposed with respect to the Responses and (iii) grant any such other and further relief as this Court deems just and proper.

Dated: Los Angeles, California  
February 29, 2012

/s/ Van C. Durrer, II

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

Counsel for Catalyst Paper Corporation

**EXHIBIT A**

**Revised Proposed Recognition Order**

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

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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. <sup>1</sup>	:	
	:	Related Docket No. 38, 78, 80, 81, __

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

Upon consideration of the verified amended chapter 15 petitions and the amended motion (the “Amended Motion”)<sup>2</sup> of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) in a proceeding (the “CCAA Proceeding”) under *Canada’s Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, pending before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the United States Code (the “Bankruptcy Code”), seeking: (a) entry of an amended

<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) (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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

provisional order (the “Amended Provisional Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “Recognition Order”) after notice and a hearing (i) granting the petitions in these cases and recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code, (ii) giving full force and effect in the United States to the Initial CCAA Order and the Order Made After Application (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, (iii) granting the Debtors’ postpetition lenders certain protections afforded by the Bankruptcy Code, and (iv) extending the provisional relief granted under section 1519 of the Bankruptcy Code pursuant to section 1521(a)(6) of the Bankruptcy Code; and (c) such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and upon the Amended Provisional Order previously entered by this Court; and the Court having considered any objections and replies; and any objections to the Amended Motion that have not been withdrawn or resolved having been overruled; and it appearing that this Court has jurisdiction to consider the Amended Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Amended Motion in this District is proper pursuant to 28 U.S.C. §§ 1410(1) and 1410(3); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that notice of the Amended Motion has been given as set forth in the Amended Motion and that such notice is adequate and no other or further notice need be given under the circumstances; and upon the record of the hearing on the Amended Motion; and the Court having found and determined that the relief sought in the Amended Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the



Amended Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

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

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

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

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

F. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial CCAA Order, to all of the relief provided herein pursuant to sections 1520 and 1521 of the Bankruptcy Code.

G. The indenture trustee and collateral trustee for the 2016 Notes (together with the holders of the 2016 Notes, the "2016 Noteholder Parties"), for themselves and for the benefit of the holders of the 2016 Notes, have consented to the Debtor's use of any amounts,

including without limitation, all cash and other amounts on deposit or maintained in any account or accounts by the Debtors, which form a portion of the 2016 Notes Security (as defined in the Initial CCAA Order) and therefore constitute “cash collateral” of the 2016 Noteholder Parties within the meaning of section 363(a) of the Bankruptcy Code (the “Cash Collateral”).

Accordingly, the 2016 Noteholder Parties are therefore entitled, pursuant to section 363 of the Bankruptcy Code, to adequate protection of their interests in the 2016 Notes Security in an amount equal to the diminution in value of the 2016 Noteholders’ interests in the 2016 Notes Security as of the Petition Date.

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

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

**IT IS HEREBY ORDERED THAT:**

1. The Amended Motion is GRANTED.
2. The Amended Chapter 15 Petitions are granted and the CCAA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code.
3. The Canadian Orders, including any extensions or amendments thereto, are hereby enforced on a final basis and given full force and effect in the United States.
4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. Specifically, the automatic stay provisions of section 362, and the provisions of section 363 of the Bankruptcy Code apply with

respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court; provided, however, that nothing in this paragraph 4 shall limit, abridge, or otherwise effect the rights afforded the DIP Lender under the DIP Term Sheet and the Debtors' authorization to make certain payments as permitted in the Canadian Orders and subject to the terms and conditions set forth therein as further noted below.

5. Pursuant to section 1521(a) of the Bankruptcy Code, section 365 of the Bankruptcy Code is hereby made applicable to the Chapter 15 Cases. CPC, as foreign representative, is granted leave to apply to this Court as necessary for additional relief under section 1521(a) of the Bankruptcy Code, including, but not limited to, application of additional provisions of the Bankruptcy Code in the Chapter 15 Cases.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted in provisional orders, including the Amended Provisional Order and the Order for Provisional Relief Enforcing Canadian Court Order in Connection with Debtor in Possession Financing Pursuant to 11 U.S.C. §§ 105(a), 1519 and 1521 [Docket No. 60], is hereby extended on a final basis pursuant to section 1519(a) of the Bankruptcy Code.

7. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) or 1521(d) of the Bankruptcy Code.

8. CPC and the Debtors are hereby authorized and empowered to take any necessary actions to implement and effectuate the terms of this Recognition Order. CPC is further authorized, from time to time as necessary, to request enforcement by this Court of any and all orders entered by the Canadian Court, and to provide notice of such orders to parties in

interest consistent with Rule 2002 of the Federal Rules of Bankruptcy Procedure and the Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition [Docket No. 23]. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CCAA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The 2016 Noteholder Parties, for themselves and for the benefit of the holders of the 2016 Notes, are entitled to receive adequate protection to the extent of any diminution in the value of their interest in the 2016 Notes Security resulting from the use, sale or lease of the 2016 Notes Security or the imposition of the automatic stay. Accordingly, the 2016 Noteholder Parties are hereby provided with the following forms of adequate protection:

- (a) Fees and Expenses. The Debtors are authorized and shall pay, without regard to whether such fees and expenses were incurred during the pre- or post-petition period, the reasonable and documented fees and expenses incurred by Wilmington Trust, National Association, as indenture trustee for the 2016 Notes (the “Indenture Trustee”), and by (i) Akin Gump Strauss Hauer & Feld LLP, as U.S. counsel to the ad hoc committee of holders of 2016 Notes (the “2016 Ad Hoc Committee”), (ii) Morris, Nichols, Arsht & Tunnell LLP, as U.S. local counsel to the 2016 Ad Hoc Committee, (iii) Fraser Milner Casgrain LLP, as Canadian counsel to the 2016 Ad Hoc Committee, (iv) Moelis & Company, as financial advisor to the 2016 Ad Hoc Committee, (v) Kelley Drye &

Warren LLP, as U.S. counsel to the Indenture Trustee, (vi) U.S. local counsel to the Indenture Trustee, and (vii) Chaitons LLP, as Canadian counsel to the Indenture Trustee ((i) through (vii) collectively, the “2016 Noteholder Professionals”). The Debtors shall promptly reimburse the Indenture Trustee and the 2016 Noteholder Professionals for amounts invoiced monthly within thirty (30) business days after delivery of such an invoice describing such fees and expenses substantially in the form provided in the ordinary course of business; *provided, however*, that any such invoice may be redacted to protect privilege, confidential or proprietary information; and *provided further, however*, that in the event that CPC objects within thirty (30) business days after delivery of the invoice to the reimbursement of such fees (including on the grounds that such reimbursement is in excess of professional payments authorized under the Debtors’ post-petition financing arrangements), only the amounts not subject to such objection will be promptly reimbursed. If any such objection by CPC or the Monitor is not resolved within thirty (30) business days after such objection is raised, the Indenture Trustee and the 2016 Noteholder Professionals may apply to the Canadian Court for reimbursement of such fees. The rights of any party to assert that any amounts paid pursuant to this paragraph 9(a) should be applied to the reduction of principal or other amounts owing to the 2016 Noteholder Parties (rather than reimbursement of fees) are hereby fully preserved. For the avoidance of doubt, neither the Indenture Trustee nor the 2016 Noteholder Professionals shall be required to file applications with the Court in connection with the requested fees and expenses. Notwithstanding any to the contrary contained in this Recognition Order, nothing in this Recognition Order shall be deemed to modify the

terms and conditions of any engagement agreement between any of the Debtors and any of the 2016 Noteholder Professionals.

- (b) Adequate Protection Liens and Claims. The 2016 Noteholder Parties are hereby granted
- (i) effective and perfected as of the Petition Date and without the necessity of the execution by the Debtors of, or the filing of, any mortgages, security agreements, pledge agreements, financing statements or other agreements, a replacement security interest in and lien (the “Replacement Lien”) upon the 2016 Notes Security to the same extent, validity and priority as the liens of the 2016 Noteholder Parties on the 2016 Notes Security as of the Petition Date except as otherwise provided hereinafter, in an amount equal to any diminution in the value of the 2016 Notes Security as of the Petition Date resulting from the sale, lease or use by the Debtors (or other decline in value) of such collateral, which Replacement Lien shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order and (ii) a superpriority claim as provided for in section 507(b) of the Bankruptcy Code, which superpriority claim shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order, to secure an amount equal to the aggregate diminution in value in the interests of the 2016 Noteholder Parties in the 2016 Notes Security.
- (c) Nothing in this Recognition Order shall affect the rights of any of the 2016 Noteholder Parties to request additional adequate protection as of the Petition Date pursuant to the Bankruptcy Code, or the rights of any party in interest to respond to such request, and all such rights are expressly reserved.

10. The Amended Chapter 15 Petitions, the Amended Motion, the Amended Provisional Order and this Recognition Order shall be made publicly available by CPC upon

request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071, Attn: Annie Li, Esq., or Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Christine Kim, Esq.

11. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) neither CPC, nor the DIP Lender, is subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Recognition Order.

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

Dated: March \_\_, 2012  
Wilmington, Delaware

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Honorable Peter J. Walsh  
UNITED STATES BANKRUPTCY JUDGE

## **EXHIBIT B**

### **Revised Proposed Recognition Order**

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



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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Joint Administration Pending
Debtors. <sup>1</sup>	:	
	:	Related Docket No. 38, 78, 80, 81, __

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

Upon consideration of the verified amended chapter 15 petitions and the amended motion (the “Amended Motion”)<sup>2</sup> of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) in a proceeding (the “CCAA Proceeding”) under *Canada’s Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57 pending before the Supreme Court of British

<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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the United States Code (the “Bankruptcy Code”), seeking: (a) entry of an amended provisional order (the “Amended Provisional Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “Recognition Order”) after a notice and a hearing (i) granting the amended petitions in these cases, (ii) recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors and recognizing the CCAA Proceeding as a foreign nonmain proceeding with respect to the U.S. Debtors, (iii) giving full force and effect in the United States to the Initial CCAA Order and the Order Made After Application (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, (iv) granting the Debtors' postpetition lenders certain protections afforded by the Bankruptcy Code, and (v) extending the provisional relief granted under section 1519 of the Bankruptcy Code pursuant to section 1521(a)(6) of the Bankruptcy Code; and (c) such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and upon the Amended Provisional Order previously entered by this Court; and the Court having considered any objections and replies; and any objections to the Amended Motion that have not been withdrawn or resolved having been overruled; and it appearing that this Court has jurisdiction to consider the Amended Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Amended Motion in this District is proper pursuant to 28 U.S.C. §§ 1410(1) and 1410(3); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that notice of the Amended Motion has been given as set forth in the Amended Motion and that such notice is

adequate and no other or further notice need be given under the circumstances; and upon the record of the hearing on the Amended Motion; and the Court having found and determined that the relief sought in the Amended Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Amended Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

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

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

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

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

F. With respect to the U.S. Debtors, the CCAA Proceeding pending in the Canadian Court, in the location where the U.S. Debtors each have an establishment within the meaning of section 1502(2) of the Bankruptcy Code, constitutes a foreign nonmain proceeding pursuant to section 1502(5) of the Bankruptcy Code.

G. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial CCAA Order, to all of the relief provided herein pursuant to sections 1520 and 1521 of the Bankruptcy Code.

H. The indenture trustee and collateral trustee for the 2016 Notes (together with the holders of the 2016 Notes, the “2016 Noteholder Parties”), for themselves and for the benefit of the holders of the 2016 Notes, have consented to the Debtor’s use of any amounts, including without limitation, all cash and other amounts on deposit or maintained in any account or accounts by the Debtors, which form a portion of the 2016 Notes Security (as defined in the Initial CCAA Order) and therefore constitute “cash collateral” of the 2016 Noteholder Parties within the meaning of section 363(a) of the Bankruptcy Code (the “Cash Collateral”).

Accordingly, the 2016 Noteholder Parties are therefore entitled, pursuant to section 363 of the Bankruptcy Code, to adequate protection of their interests in the 2016 Notes Security in an amount equal to the diminution in value of the 2016 Noteholders’ interests in the 2016 Notes Security as of the Petition Date.

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

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

**IT IS HEREBY ORDERED THAT:**

1. The Amended Motion is GRANTED.
2. The Amended Chapter 15 Petitions are granted. The CCAA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors. The CCAA Proceeding is hereby recognized as a “foreign nonmain proceeding” pursuant to section 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors.
3. The Canadian Orders, including any extensions or amendments thereto, are hereby enforced and recognized on a final basis and given full force and effect in the United States.
4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. To the extent not automatically conferred upon certain of the Debtors, all relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation through the operation of section 1521 of the Bankruptcy Code. Specifically, the automatic stay provisions of section 362 and the provisions of section 365 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court; provided, however, that nothing in this paragraph 4 shall limit, abridge, or otherwise effect the rights afforded the DIP Lender under the DIP Term Sheet and the Debtors’ authorization to make certain payments as permitted in the Canadian Orders and subject to the terms and conditions set forth therein as further noted below.

5. Pursuant to section 1521(a) of the Bankruptcy Code, section 365 of the Bankruptcy Code is hereby made applicable to the Chapter 15 Cases. CPC, as foreign representative, is granted leave to apply to this Court as necessary for additional relief under section 1521(a) of the Bankruptcy Code, including, but not limited to, application of additional provisions of the Bankruptcy Code in the Chapter 15 Cases.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted in provisional orders, including the Amended Provisional Order and the Order for Provisional Relief Enforcing Canadian Court Order in Connection with Debtor in Possession Financing Pursuant to 11 U.S.C. §§ 105(a), 1519 and 1521 [Docket No. 60], is hereby extended on a final basis pursuant to section 1519(a) of the Bankruptcy Code.

7. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) or 1521(d) of the Bankruptcy Code.

8. CPC and the Debtors are hereby authorized and empowered to take any necessary actions to implement and effectuate the terms of this Recognition Order. CPC is further authorized, from time to time as necessary, to request enforcement by this Court of any and all orders entered by the Canadian Court, and to provide notice of such orders to parties in interest consistent with Rule 2002 of the Federal Rules of Bankruptcy Procedure and the Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition [Docket No. 23]. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the

CCAA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The 2016 Noteholder Parties, for themselves and for the benefit of the holders of the 2016 Notes, are entitled to receive adequate protection to the extent of any diminution in the value of their interest in the 2016 Notes Security resulting from the use, sale or lease of the 2016 Notes Security or the imposition of the automatic stay. Accordingly, the 2016 Noteholder Parties are hereby provided with the following forms of adequate protection:

- (a) Fees and Expenses. The Debtors are authorized and shall pay, without regard to whether such fees and expenses were incurred during the pre- or post-petition period, the reasonable and documented fees and expenses incurred by Wilmington Trust, National Association, as indenture trustee for the 2016 Notes (the “Indenture Trustee”), and by (i) Akin Gump Strauss Hauer & Feld LLP, as U.S. counsel to the ad hoc committee of holders of 2016 Notes (the “2016 Ad Hoc Committee”), (ii) Morris, Nichols, Arsht & Tunnell LLP, as U.S. local counsel to the 2016 Ad Hoc Committee, (iii) Fraser Milner Casgrain LLP, as Canadian counsel to the 2016 Ad Hoc Committee, (iv) Moelis & Company, as financial advisor to the 2016 Ad Hoc Committee, (v) Kelley Drye & Warren LLP, as U.S. counsel to the Indenture Trustee, (vi) U.S. local counsel to the Indenture Trustee, and (vii) Chaitons LLP, as Canadian counsel to the Indenture Trustee ((i) through (vii) collectively, the “2016 Noteholder Professionals”). The Debtors shall promptly reimburse the Indenture Trustee and the 2016 Noteholder Professionals for amounts invoiced monthly within thirty (30) business days after delivery of such an invoice describing such fees and expenses substantially in the form provided in the

ordinary course of business; *provided, however*, that any such invoice may be redacted to protect privilege, confidential or proprietary information; and *provided further, however*, that in the event that CPC objects within thirty (30) business days after delivery of the invoice to the reimbursement of such fees (including on the grounds that such reimbursement is in excess of professional payments authorized under the Debtors' post-petition financing arrangements), only the amounts not subject to such objection will be promptly reimbursed. If any such objection by CPC or the Monitor is not resolved within thirty (30) business days after such objection is raised, the Indenture Trustee and the 2016 Noteholder Professionals may apply to the Canadian Court for reimbursement of such fees. The rights of any party to assert that any amounts paid pursuant to this paragraph 9(a) should be applied to the reduction of principal or other amounts owing to the 2016 Noteholder Parties (rather than reimbursement of fees) are hereby fully preserved. For the avoidance of doubt, neither the Indenture Trustee nor the 2016 Noteholder Professionals shall be required to file applications with the Court in connection with the requested fees and expenses. Notwithstanding any to the contrary contained in this Recognition Order, nothing in this Recognition Order shall be deemed to modify the terms and conditions of any engagement agreement between any of the Debtors and any of the 2016 Noteholder Professionals.

- (b) Adequate Protection Liens and Claims. The 2016 Noteholder Parties are hereby granted (i) effective and perfected as of the Petition Date and without the necessity of the execution by the Debtors of, or the filing of, any mortgages, security agreements, pledge agreements, financing statements or other agreements, a replacement security interest in and lien (the "Replacement Lien") upon the 2016 Notes Security to the same extent,



validity and priority as the liens of the 2016 Noteholder Parties on the 2016 Notes Security as of the Petition Date except as otherwise provided hereinafter, in an amount equal to any diminution in the value of the 2016 Notes Security as of the Petition Date resulting from the sale, lease or use by the Debtors (or other decline in value) of such collateral, which Replacement Lien shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order and (ii) a superpriority claim as provided for in section 507(b) of the Bankruptcy Code, which superpriority claim shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order, to secure an amount equal to the aggregate diminution in value in the interests of the 2016 Noteholder Parties in the 2016 Notes Security.

- (c) Nothing in this Recognition Order shall affect the rights of any of the 2016 Noteholder Parties to request additional adequate protection as of the Petition Date pursuant to the Bankruptcy Code, or the rights of any party in interest to respond to such request, and all such rights are expressly reserved.

10. The Amended Chapter 15 Petitions, the Amended Motion, the Amended Provisional Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071, Attn: Annie Li, Esq., or Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Christine Kim, Esq.

11. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) neither CPC, nor the DIP Lender, is not subject to any stay in the implementation, enforcement or

realization of the relief granted in this Recognition Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Recognition Order.

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

Dated: March \_\_, 2012  
Wilmington, Delaware

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Honorable Peter J. Walsh  
UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT C**

**Blackline - Revised Proposed Recognition Order**

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

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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Jointly Administered
Debtors. <sup>1</sup>	:	
	:	Related Docket No. <a href="#"><u>38, 78, 80, 81</u></a>

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

Upon consideration of the verified amended chapter 15 petitions and the amended motion (the “Amended Motion”)<sup>2</sup> of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) in a proceeding (the “CCAA Proceeding”) under *Canada’s Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, pending before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the United States Code (the “Bankruptcy Code”), seeking: (a) entry of an amended

<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) (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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

provisional order (the “Amended Provisional Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(~~1~~–(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “Recognition Order”) after notice and a hearing (i) granting the petitions in these cases and recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code, (ii) giving full force and effect in the United States to ~~any and all orders that have been or will be made or entered in the CCAA Proceeding, including without limitation,~~ the Initial CCAA Order and ~~any forthcoming final order approving the restructuring transaction to be effected through the CCAA Proceeding~~the Order Made After Application (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, ~~and~~ (iii) granting the Debtors’ postpetition lenders certain protections afforded by the Bankruptcy Code, and (iv) extending the provisional relief granted under section 1519 of the Bankruptcy Code pursuant to section 1521(a)(6) of the Bankruptcy Code; and (c) such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and upon the Amended Provisional Order previously entered by this Court; and the Court having considered any objections and replies; and any objections to the Amended Motion that have not been withdrawn or resolved having been overruled; and it appearing that this Court has jurisdiction to consider the Amended Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Amended Motion in this District is proper pursuant to 28 U.S.C. §§ 1410(1) and 1410(3); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that notice of the Amended Motion has been given as set forth in the Amended Motion and that such notice is adequate and no other or further notice need be given under the circumstances; and upon the record of the

hearing on the Amended Motion; and the Court having found and determined that the relief sought in the Amended Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Amended Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND  
CONCLUSIONS OF LAW:

A. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

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

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

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

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

F. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial CCAA Order, to all of the relief provided [herein](#) pursuant to ~~section~~ [sections](#) 1520 ~~on~~ [and 1521 of](#) the Bankruptcy Code.

F.G. The indenture trustee and collateral trustee for the 2016 Notes (together with the holders of the 2016 Notes, the “2016 Noteholder Parties”), for themselves and for the benefit of the holders of the 2016 Notes, have consented to the Debtor’s use of any amounts, including without limitation, all cash and other amounts on deposit or maintained in any account or accounts by the Debtors, which form a portion of the 2016 Notes Security (as defined in the Initial CCAA Order) and therefore constitute “cash collateral” of the 2016 Noteholder Parties within the meaning of section 363(a) of the Bankruptcy Code (the “Cash Collateral”). Accordingly, the 2016 Noteholder Parties are therefore entitled, pursuant to section 363 of the Bankruptcy Code, to adequate protection of their interests in the 2016 Notes Security in an amount equal to the diminution in value of the 2016 Noteholders’ interests in the 2016 Notes Security as of the Petition Date.

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

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

**IT IS HEREBY ORDERED THAT:**

1. The Amended Motion is GRANTED.
2. The Amended Chapter 15 Petitions are granted, ~~and~~ and the CCAA

Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code ~~and orders that have been or will be made or entered therein are hereby recognized for all purposes under chapter 15 of the Bankruptcy Code, regardless of whether expressly discussed below.~~

3. The Canadian Orders, including any extensions or amendments thereto, ~~is~~are hereby enforced on a final basis and given full force and effect in the United States.

4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. Specifically, the automatic stay provisions of section 362, and the provisions of section 363 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court; provided, however, that nothing in this paragraph 4 shall limit, abridge, or otherwise effect the rights afforded the DIP Lender under the DIP Term Sheet and the Debtors' authorization to make certain payments as permitted in the Canadian Orders and subject to the terms and conditions set forth therein as further noted below.

~~5. — Upon entry of this Order no creditor or counterparty affected by the CCAA Proceeding, (which, for greater certainty, exempts JPMorgan Chase Bank, N.A., Toronto Branch in its capacity as DIP Agent with respect to obligations owing under the DIP Facility from the operation of the stay of proceedings, and includes, but is not limited to, the 2014 Noteholders and 2016 Noteholders (each as defined in the Second Baarda Declaration) or any party acting on their behalf), shall have the right to make, commence, or enforce any rights, claims or remedies in respect of or arising from any obligations under their respective agreements, guarantees or security documents to which the Debtors are party.~~

5. Pursuant to section 1521(a) of the Bankruptcy Code, section 365 of the Bankruptcy Code is hereby made applicable to the Chapter 15 Cases. CPC, as foreign representative, is granted leave to apply to this Court as necessary for additional relief under



section 1521(a) of the Bankruptcy Code, including, but not limited to, application of additional provisions of the Bankruptcy Code in the Chapter 15 Cases.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted ~~pursuant to~~ in provisional orders, including the Amended Provisional Order ~~pursuant~~ and the Order for Provisional Relief Enforcing Canadian Court Order in Connection with Debtor in Possession Financing Pursuant to ~~section-11 U.S.C. §§ 105(a), 1519(a) of the Bankruptcy Code~~ and 1521 [Docket No. 60], is hereby extended on a final basis pursuant to section 1519(a) of the Bankruptcy Code.

7. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) or 1521(d) of the Bankruptcy Code.

8. CPC and the Debtors are hereby authorized and empowered to take any necessary actions to implement and effectuate the terms of this Recognition Order. CPC is further authorized, from time to time as necessary, to request enforcement by this Court of any and all orders entered by the Canadian Court, and to provide notice of such orders to parties in interest consistent with Rule 2002 of the Federal Rules of Bankruptcy Procedure and the Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition [Docket No. 23]. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CCAA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding

therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The 2016 Noteholder Parties, for themselves and for the benefit of the holders of the 2016 Notes, are entitled to receive adequate protection to the extent of any diminution in the value of their interest in the 2016 Notes Security resulting from the use, sale or lease of the 2016 Notes Security or the imposition of the automatic stay. Accordingly, the 2016 Noteholder Parties are hereby provided with the following forms of adequate protection:

(a) Fees and Expenses. The Debtors are authorized and shall pay, without regard to whether such fees and expenses were incurred during the pre- or post-petition period, the reasonable and documented fees and expenses incurred by Wilmington Trust, National Association, as indenture trustee for the 2016 Notes (the "Indenture Trustee"), and by (i) Akin Gump Strauss Hauer & Feld LLP, as U.S. counsel to the ad hoc committee of holders of 2016 Notes (the "2016 Ad Hoc Committee"), (ii) Morris, Nichols, Arsht & Tunnell LLP, as U.S. local counsel to the 2016 Ad Hoc Committee, (iii) Fraser Milner Casgrain LLP, as Canadian counsel to the 2016 Ad Hoc Committee, (iv) Moelis & Company, as financial advisor to the 2016 Ad Hoc Committee, (v) Kelley Drye & Warren LLP, as U.S. counsel to the Indenture Trustee, (vi) U.S. local counsel to the Indenture Trustee, and (vii) Chaitons LLP, as Canadian counsel to the Indenture Trustee ((i) through (vii) collectively, the "2016 Noteholder Professionals"). The Debtors shall promptly reimburse the Indenture Trustee and the 2016 Noteholder Professionals for amounts invoiced monthly within thirty (30) business days after delivery of such an invoice describing such fees and expenses substantially in the form provided in the ordinary course of business; *provided, however*, that any such invoice may be redacted to

protect privilege, confidential or proprietary information; and *provided further, however,* that in the event that CPC objects within thirty (30) business days after delivery of the invoice to the reimbursement of such fees (including on the grounds that such reimbursement is in excess of professional payments authorized under the Debtors' post-petition financing arrangements), only the amounts not subject to such objection will be promptly reimbursed. If any such objection by CPC or the Monitor is not resolved within thirty (30) business days after such objection is raised, the Indenture Trustee and the 2016 Noteholder Professionals may apply to the Canadian Court for reimbursement of such fees. The rights of any party to assert that any amounts paid pursuant to this paragraph 9(a) should be applied to the reduction of principal or other amounts owing to the 2016 Noteholder Parties (rather than reimbursement of fees) are hereby fully preserved. For the avoidance of doubt, neither the Indenture Trustee nor the 2016 Noteholder Professionals shall be required to file applications with the Court in connection with the requested fees and expenses. Notwithstanding any to the contrary contained in this Recognition Order, nothing in this Recognition Order shall be deemed to modify the terms and conditions of any engagement agreement between any of the Debtors and any of the 2016 Noteholder Professionals.

- (b) Adequate Protection Liens and Claims. The 2016 Noteholder Parties are hereby granted
- (i) effective and perfected as of the Petition Date and without the necessity of the execution by the Debtors of, or the filing of, any mortgages, security agreements, pledge agreements, financing statements or other agreements, a replacement security interest in and lien (the "Replacement Lien") upon the 2016 Notes Security to the same extent, validity and priority as the liens of the 2016 Noteholder Parties on the 2016 Notes

Security as of the Petition Date except as otherwise provided hereinafter, in an amount equal to any diminution in the value of the 2016 Notes Security as of the Petition Date resulting from the sale, lease or use by the Debtors (or other decline in value) of such collateral, which Replacement Lien shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order and (ii) a superpriority claim as provided for in section 507(b) of the Bankruptcy Code, which superpriority claim shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order, to secure an amount equal to the aggregate diminution in value in the interests of the 2016 Noteholder Parties in the 2016 Notes Security.

(c) Nothing in this Recognition Order shall affect the rights of any of the 2016 Noteholder Parties to request additional adequate protection as of the Petition Date pursuant to the Bankruptcy Code, or the rights of any party in interest to respond to such request, and all such rights are expressly reserved.

9.10. The Amended Chapter 15 Petitions, the Amended Motion, the Amended Provisional Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071, Attn: Annie Li, Esq., or Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Christine Kim, Esq.

10.11. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) neither CPC, nor the DIP Lender, is subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition Order; and (c) CPC is authorized and

empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Recognition Order.

~~11~~12. This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of this Recognition Order, any requests for additional relief or any adversary proceeding brought in and through the Chapter 15 Cases, and any request by an entity for relief from the provisions of this Recognition Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: ~~February~~March \_\_, 2012  
Wilmington, Delaware

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Honorable Peter J. Walsh  
UNITED STATES BANKRUPTCY JUDGE

## **EXHIBIT D**

### **Blackline - Revised Proposed Recognition Order**

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

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

	X		
	:		Chapter 15
In re:	:		
	:		Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:		
	:		Joint Administration Pending
Debtors. <sup>1</sup>	:		
	:		Related Docket No. <a href="#"><u>38, 78, 80, 81</u></a>
	X		

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

Upon consideration of the verified amended chapter 15 petitions and the amended motion (the “Amended Motion”)<sup>2</sup> of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) in a proceeding (the “CCAA Proceeding”) under *Canada’s Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57 pending before the Supreme Court of British

<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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the United States Code (the “Bankruptcy Code”), seeking: (a) entry of an amended provisional order (the “Amended Provisional Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “Recognition Order”) after a notice and a hearing (i) granting the amended petitions in these cases, (ii) recognizing the CCAA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors and recognizing the CCAA Proceeding as a foreign nonmain proceeding with respect to the U.S. Debtors ~~and~~, (iii) giving full force and effect in the United States to ~~any and all orders that have been or will be made or entered in the CCAA Proceeding, including without limitation,~~ the Initial CCAA Order and ~~any forthcoming final order approving the restructuring transaction to be effected through the CCAA Proceeding~~the Order Made After Application (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, (iv) granting the Debtors' postpetition lenders certain protections afforded by the Bankruptcy Code, and ~~–~~ (v) extending the provisional relief granted under section 1519 of the Bankruptcy Code pursuant to section 1521(a)(6) of the Bankruptcy Code; and (c) such other and further relief as this Court deems just and proper; and upon the Second Baarda Declaration and the Memorandum of Law; and upon the Amended Provisional Order previously entered by this Court; and the Court having considered any objections and replies; and any objections to the Amended Motion that have not been withdrawn or resolved having been overruled; and it appearing that this Court has jurisdiction to consider the Amended Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Amended Motion in this District is proper pursuant to 28 U.S.C. §§



1410(1) [and 1410\(3\)](#); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that notice of the Amended Motion has been given as set forth in the Amended Motion and that such notice is adequate and no other or further notice need be given under the circumstances; and upon the record of the hearing on the Amended Motion; and the Court having found and determined that the relief sought in the Amended Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Amended Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

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

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

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

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

entitled to recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code.

F. With respect to the U.S. Debtors, the CCAA Proceeding pending in the Canadian Court, in the location where the U.S. Debtors each have an establishment within the meaning of section 1502(2) of the Bankruptcy Code, constitutes a foreign nonmain proceeding pursuant to section 1502(5) of the Bankruptcy Code.

G. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial CCAA Order, to all of the relief provided herein pursuant to ~~section~~ sections 1520 and 1521 of the Bankruptcy Code.

G.H. The indenture trustee and collateral trustee for the 2016 Notes (together with the holders of the 2016 Notes, the “2016 Noteholder Parties”), for themselves and for the benefit of the holders of the 2016 Notes, have consented to the Debtor’s use of any amounts, including without limitation, all cash and other amounts on deposit or maintained in any account or accounts by the Debtors, which form a portion of the 2016 Notes Security (as defined in the Initial CCAA Order) and therefore constitute “cash collateral” of the 2016 Noteholder Parties within the meaning of section 363(a) of the Bankruptcy Code (the “Cash Collateral”). Accordingly, the 2016 Noteholder Parties are therefore entitled, pursuant to section 363 of the Bankruptcy Code, to adequate protection of their interests in the 2016 Notes Security in an amount equal to the diminution in value of the 2016 Noteholders’ interests in the 2016 Notes Security as of the Petition Date.

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

pursuant to sections 1520 and 1521 of the Bankruptcy Code, and will not cause any hardship to any parties in interest that is not outweighed by the benefits of the relief granted.

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

**IT IS HEREBY ORDERED THAT:**

1. The Amended Motion is GRANTED.

2. The Amended Chapter 15 Petitions are granted. The CCAA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors. The CCAA Proceeding is hereby recognized as a “foreign nonmain proceeding” pursuant to section 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors. ~~Orders that have been or will be made or entered in the CCAA Proceeding are hereby recognized for all purposes under chapter 15 of the Bankruptcy Code, regardless of whether expressly discussed below.~~

3. The Canadian Orders, including any extensions or amendments thereto, are hereby enforced and recognized on a final basis and given full force and effect in the United States.

4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. To the extent not automatically conferred upon certain of the Debtors, all relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation through the operation of section 1521 of the Bankruptcy Code. Specifically, the automatic stay provisions of section 362 and the provisions of section 365 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court;

provided, however, that nothing in this paragraph 4 shall limit, abridge, or otherwise effect the rights afforded the DIP Lender under the DIP Term Sheet and the Debtors' authorization to make certain payments as permitted in the Canadian Orders and subject to the terms and conditions set forth therein as further noted below.

~~5. — Upon entry of this Order no creditor or counterparty affected by the CCAA Proceeding, (which, for greater certainty, exempts JPMorgan Chase Bank, N.A., Toronto Branch in its capacity as DIP Agent with respect to obligations owing under the DIP Facility from the operation of the stay of proceedings, and includes, but is not limited to, the 2014 Noteholders and 2016 Noteholders (each as defined in the Second Baarda Declaration) or any party acting on their behalf), shall have the right to make, commence, or enforce any rights, claims or remedies in respect of or arising from any obligations under their respective agreements, guarantees or security documents to which the Debtors are party.~~

5. Pursuant to section 1521(a) of the Bankruptcy Code, section 365 of the Bankruptcy Code is hereby made applicable to the Chapter 15 Cases. CPC, as foreign representative, is granted leave to apply to this Court as necessary for additional relief under section 1521(a) of the Bankruptcy Code, including, but not limited to, application of additional provisions of the Bankruptcy Code in the Chapter 15 Cases.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted ~~pursuant to~~ in provisional orders, including the Amended Provisional Order ~~pursuant~~ and the Order for Provisional Relief Enforcing Canadian Court Order in Connection with Debtor in Possession Financing Pursuant to ~~section-11 U.S.C. §§ 105(a), 1519(a) of the Bankruptcy Code and 1521 [Docket No. 60],~~ is hereby extended on a final basis pursuant to section 1519(a) of the Bankruptcy Code.

7. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) or 1521(d) of the Bankruptcy Code.

8. CPC and the Debtors are hereby authorized and empowered to take any necessary actions to implement and effectuate the terms of this Recognition Order. CPC is further authorized, from time to time as necessary, to request enforcement by this Court of any and all orders entered by the Canadian Court, and to provide notice of such orders to parties in interest consistent with Rule 2002 of the Federal Rules of Bankruptcy Procedure and the Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition [Docket No. 23]. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CCAA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The 2016 Noteholder Parties, for themselves and for the benefit of the holders of the 2016 Notes, are entitled to receive adequate protection to the extent of any diminution in the value of their interest in the 2016 Notes Security resulting from the use, sale or lease of the 2016 Notes Security or the imposition of the automatic stay. Accordingly, the 2016 Noteholder Parties are hereby provided with the following forms of adequate protection:

- (a) Fees and Expenses. The Debtors are authorized and shall pay, without regard to whether such fees and expenses were incurred during the pre- or post-petition period, the

reasonable and documented fees and expenses incurred by Wilmington Trust, National Association, as indenture trustee for the 2016 Notes (the “Indenture Trustee”), and by (i) Akin Gump Strauss Hauer & Feld LLP, as U.S. counsel to the ad hoc committee of holders of 2016 Notes (the “2016 Ad Hoc Committee”), (ii) Morris, Nichols, Arsht & Tunnell LLP, as U.S. local counsel to the 2016 Ad Hoc Committee, (iii) Fraser Milner Casgrain LLP, as Canadian counsel to the 2016 Ad Hoc Committee, (iv) Moelis & Company, as financial advisor to the 2016 Ad Hoc Committee, (v) Kelley Drye & Warren LLP, as U.S. counsel to the Indenture Trustee, (vi) U.S. local counsel to the Indenture Trustee, and (vii) Chaitons LLP, as Canadian counsel to the Indenture Trustee ((i) through (vii) collectively, the “2016 Noteholder Professionals”). The Debtors shall promptly reimburse the Indenture Trustee and the 2016 Noteholder Professionals for amounts invoiced monthly within thirty (30) business days after delivery of such an invoice describing such fees and expenses substantially in the form provided in the ordinary course of business; *provided, however*, that any such invoice may be redacted to protect privilege, confidential or proprietary information; and *provided further, however*, that in the event that CPC objects within thirty (30) business days after delivery of the invoice to the reimbursement of such fees (including on the grounds that such reimbursement is in excess of professional payments authorized under the Debtors’ post-petition financing arrangements), only the amounts not subject to such objection will be promptly reimbursed. If any such objection by CPC or the Monitor is not resolved within thirty (30) business days after such objection is raised, the Indenture Trustee and the 2016 Noteholder Professionals may apply to the Canadian Court for reimbursement of such fees. The rights of any party to assert that any amounts paid pursuant to this paragraph

9(a) should be applied to the reduction of principal or other amounts owing to the 2016 Noteholder Parties (rather than reimbursement of fees) are hereby fully preserved. For the avoidance of doubt, neither the Indenture Trustee nor the 2016 Noteholder Professionals shall be required to file applications with the Court in connection with the requested fees and expenses. Notwithstanding any to the contrary contained in this Recognition Order, nothing in this Recognition Order shall be deemed to modify the terms and conditions of any engagement agreement between any of the Debtors and any of the 2016 Noteholder Professionals.

(b) Adequate Protection Liens and Claims. The 2016 Noteholder Parties are hereby granted (i) effective and perfected as of the Petition Date and without the necessity of the execution by the Debtors of, or the filing of, any mortgages, security agreements, pledge agreements, financing statements or other agreements, a replacement security interest in and lien (the "Replacement Lien") upon the 2016 Notes Security to the same extent, validity and priority as the liens of the 2016 Noteholder Parties on the 2016 Notes Security as of the Petition Date except as otherwise provided hereinafter, in an amount equal to any diminution in the value of the 2016 Notes Security as of the Petition Date resulting from the sale, lease or use by the Debtors (or other decline in value) of such collateral, which Replacement Lien shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order and (ii) a superpriority claim as provided for in section 507(b) of the Bankruptcy Code, which superpriority claim shall be immediately junior to the Charges identified in paragraphs 51 and 52 of the Initial CCAA Order, to secure an amount equal to the aggregate diminution in value in the interests of the 2016 Noteholder Parties in the 2016 Notes Security.

(c) Nothing in this Recognition Order shall affect the rights of any of the 2016 Noteholder Parties to request additional adequate protection as of the Petition Date pursuant to the Bankruptcy Code, or the rights of any party in interest to respond to such request, and all such rights are expressly reserved.

9.10. The Amended Chapter 15 Petitions, the Amended Motion, the Amended Provisional Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071, Attn: Annie Li, Esq., or Skadden, Arps, Slate, Meagher & Flom LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Christine Kim, Esq.

10.11. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) neither CPC, nor the DIP Lender, is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Recognition Order.

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

Dated: ~~February~~March \_\_, 2012  
Wilmington, Delaware



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Honorable Peter J. Walsh  
UNITED STATES BANKRUPTCY JUDGE

**File an answer to a motion:**[12-10221-PJW Catalyst Paper Corporation](#)

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: CLAIMS, MEGA,  
LEAD**U.S. Bankruptcy Court****District of Delaware**

## Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 2/29/2012 at 3:42 PM EST and filed on 2/29/2012

**Case Name:** Catalyst Paper Corporation**Case Number:** [12-10221-PJW](#)**Document Number:** [82](#)**Docket Text:**

*Reply Of Catalyst Paper Corporation To (I) Secured Creditors Responses To Amended Motion For Final Recognition Of A Foreign Proceeding And (II) Objection Of 2014 Noteholders To Final Recognition Of Foreign Proceeding As To U.S. Debtors* (related document(s)[38], [78], [80], [81]) Filed by Catalyst Paper Corporation (Attachments: # (1) Exhibit A# (2) Exhibit B# (3) Exhibit C# (4) Exhibit D) (Durrer, Van)

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

**Document description:**Main Document**Original filename:**H:\temp\convert\A - REVISED\_FINAL\_REPLY.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=2/29/2012] [FileNumber=10577338-0]  
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**Document description:**Exhibit A**Original filename:**Ex A.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=2/29/2012] [FileNumber=10577338-1]  
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**Document description:**Exhibit B**Original filename:**Ex B.pdf**Electronic document Stamp:**

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**Document description:**Exhibit C**Original filename:**Ex C.pdf**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=2/29/2012] [FileNumber=10577338-3]