

**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. ¹	:	
	:	Related Docket No. 38, 51, 60, 78, 80, 81, 82 & 83

**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”)² 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

¹ 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 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

² 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 Credit Agreement 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. 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] ("Provisional DIP Financing Order"), is hereby extended on a final basis pursuant to section 1519(a) of the Bankruptcy Code.

7. The DIP Lenders' Charge set forth in the Canadian Orders, including Paragraphs 41 – 63 of the Amended Initial CCAA Order and the relative priorities ordered in Paragraphs 51 and 52 thereof, as enforced by this Court's Provisional DIP Financing Order, are hereby extended and enforced on a final basis. The Court's findings of fact in Paragraphs A – G of the Provisional DIP Financing Order are made a part of this Recognition Order. Notwithstanding anything in this Recognition Order to the contrary, nothing in this Recognition Order shall alter, modify, or limit the DIP Lenders' Charge or the rights and remedies of the DIP Agent, including under the DIP Credit Agreement. If any provision of this Recognition Order

shall be subsequently stayed, modified, amended, reversed or vacated in whole or in part (collectively a “Modification”) whether by a subsequent order of this Court or on appeal from this Recognition Order, such Modification shall not impair, limit or diminish the DIP Lenders’ Charge, or the protections, rights or remedies of the DIP Lenders, whether under this Order (as entered prior to the Modification) or under any of the documentation delivered pursuant to this Order or the Provisional DIP Financing Order, including with respect to any advances made prior to entry of the Modification. The DIP Agent, in its discretion, may (but is not required to in order for the DIP Lenders’ Charge and priorities to be enforceable) file a photocopy of this Order and/or the Canadian Orders as a financing statement, notice of lien, or similar document with any recording officer designated to file financing statements, notices of lien or similar documents in any U.S. jurisdiction, and in such event, the subject filing or recording officer shall be authorized to file or record such copy of this Order and/or the Canadian Orders.

8. 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.

9. 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.

10. 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 to 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, and its agents ((i) through (vii) collectively, the "2016 Noteholder Professionals") consistent with the Canadian Orders, including, in particular, paragraphs 5 and 8(c) of the Initial CCAA Order. Any

invoices submitted for payment under the Canadian Orders may be redacted to protect privilege, confidential or proprietary information; and *provided further, however*, that such reimbursement shall be only as permitted or required, as the case may be, by the terms of the existing Canadian Orders. 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 anything 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. In the absence of a written engagement agreement with the Debtors, the timing of required payments shall be promptly following the Debtors' receipt of an invoice, subject in all respects to the Canadian Orders.

- (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 adequate protection as of the Petition Date pursuant to the Bankruptcy Code, in addition to any adequate protection required under this Recognition Order and the Canadian Orders, or the rights of any party in interest to respond to such request, and all such rights are expressly reserved.

11. 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.

12. 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.

13. 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 5, 2012
Wilmington, Delaware



Honorable Peter J. Walsh
UNITED STATES BANKRUPTCY JUDGE