

No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

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

AND

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

AND

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

PETITIONERS

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) 21/March/2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 21st day of March, 2012; AND ON HEARING, Bill Kaplan, Q.C., Peter Rubin, and Andrew Crabtree, counsel for the Petitioners, John Grieve, Kibben Jackson and Vicki Tickle, counsel for the Monitor PricewaterhouseCoopers Inc., and those other counsel listed in **Schedule "B"** hereto; AND UPON READING the material filed;

THIS COURT ORDERS AND DECLARES THAT:

APPROVAL OF CONTRACT

1. The entering into an agreement between Catalyst Paper General Partnership (the "**Partnership**") and Schnitzer Steel BC, Inc. (the "**Contractor**") for the demolition and sale of certain assets at the Elk Falls mill site in Campbell River, B.C. (the "**Purchased Assets**"), as described in Affidavit #2 of Robert Lindstrom, sworn March 16, 2012 (the "**Construction Agreement**") is hereby approved. The Company is authorized to execute any documents to enter into the transaction contemplated by the Construction Agreement (the "**Proposed Transaction**"), to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transaction and for the conveyance of the Purchased Assets to the Contractor.

2. Upon the delivery of a Monitor's certificate to the Contractor substantially in the form attached as Schedule "C" hereto (the "**Monitor's Certificate**"), all of the Applicants' right, title and interest in and to the Purchased Assets shall vest absolutely in the Contractor free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing:

- (a) any encumbrances or charges created by the Orders made in these proceedings including the Order of the Honourable Justice Sewell dated January 31, 2012 (as amended and restated);
- (b) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (British Columbia) or any other personal property registry system; and
- (c) liens, including without limitation mechanics' liens, repairers' liens, builders' liens and statutory liens.

For greater certainty, this Court orders that all of the Claims affecting or relating to the Purchased Assets are hereby expunged, discharged, released and deleted as against the Purchased Assets.

3. The Monitor shall file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof. The Monitor is hereby authorized and directed to take such actions as it deems necessary or appropriate in the circumstances to assist the Company to conclude the Proposed Transaction.

4. The proceeds of sale of the Purchased Assets that the Partnership receives pursuant to the Proposed Transaction (the "**Proceeds**") shall stand in the place and stead of the Purchased Assets, and from and after the delivery of the Monitor's Certificate, all Claims shall attach to the Proceeds with the same priority as they had with respect to the Purchased Assets immediately prior to the sale as if the Purchased Assets had not been sold and remained in the possession or control of the Partnership.

5. The Partnership is hereby ordered and directed to forthwith deposit the Proceeds, as and when received, into one or more deposit accounts or securities accounts established by and under the sole dominion and control of Computershare Trust Company of Canada, in its capacity as collateral trustee for itself and the holders of the certain notes issued under the Indentures dated as of March 19, 2010 and May 19, 2010 as among Catalyst Paper Corporation, Wilmington Trust FSB and Computershare Trust Corporation of Canada, (in such capacity, the "**Collateral Trustee**"), and, subject to the consent of the Monitor, such proceeds shall be used, applied and otherwise dealt with by the Collateral Trustee, the Partnership or any of the Petitioners, as applicable, in accordance with paragraph 40 of the Amended and Restated Initial Order of this Court dated February 3, 2012, as amended (the "**Amended and Restated Initial Order**"). Notwithstanding anything to the contrary in the Amended and Restated Initial Order, including paragraph 40 thereof, the deposit of the Proceeds into any account established by the Collateral Trustee shall be without prejudice to the right of any party to contest that the Proceeds constitute First Lien Notes Collateral and/or are subject to the First Lien Noteholders Security (as those terms are defined in the Amended and Restated Initial Order).

6. Notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of any of the Petitioner Parties and any bankruptcy order issued pursuant to any such applications;
- (c) any assignment in bankruptcy made in respect of any of the Petitioner Parties; and
- (d) any applications for an order now or hereafter issued pursuant to the *Winding Up and Restructuring Act* (Canada) in respect of any of the Petitioner Parties and any winding up order issued pursuant to any such application,

the vesting of the Purchased Assets in the Contractor pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Company and shall not be void or voidable by creditors of the Company, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. This Order shall have full force and effect in all provinces and territories in Canada against all persons, firms, corporations, governmental, municipal and regulatory authorities against whom it may otherwise be enforceable.

8. The Petitioner Parties and the Contractor are granted liberty to apply for further directions and relief as may be necessary to carry out this Order.

LIFTING OF STAY OF PROCEEDINGS

9. The stay of proceedings as provided for in the Initial Order, as extended by Order dated February 14, 2012, shall be lifted for the sole and limited purposes of permitting Her Majesty the Queen in the Right of British Columbia (“**HMTQ**”) to file and advance an application in any one or all of the following proceedings before this Court:

- (a) *Catalyst Paper Corporation v. HMTQ*, S.C.B.C. No. S081641 (Vancouver Registry);
- (b) *Catalyst Paper Corporation v. HMTQ*, S.C.B.C. No. S087199 (Vancouver Registry); and
- (c) *Catalyst Paper Corporation v. HMTQ*, S.C.B.C. No. S092112 (Vancouver Registry)

(collectively, the “PST Appeals”),

and of permitting HMTQ and the Company to take any steps before this Court to advance any of the proceedings constituting the PST Appeals to judgment.

10. For greater certainty, nothing in the Amended and Restated Initial Order, as amended, or any other Order in these proceedings shall have the effect of staying, impairing or delaying the conduct of any one of the PST Appeals. However, the taking of any proceedings (other than the exercise of set off rights in accordance with s. 21 of the *Companies' Creditors Arrangement Act*) to enforce or collect any amount owing or found to be owing by the Company, including but not limited to any order for costs, in the PST Appeals shall be stayed until further Order of this Court.

11. Upon judgment in the PST Appeals, the stay of proceedings will continue and no further steps may be taken against the Company or any present or former director, officer or employee of the Petitioner Parties, with respect thereto without further order of the Court.

AID AND RECOGNITION OF THIS ORDER

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

status to any of the Petitioners, and to CPC on behalf of any or all of the Petitioner Parties, in any foreign proceeding, and (iii) assist the Petitioner Parties, CPC, the Monitor and the respective agents of each of the foregoing in carrying out the terms of this Order.

APPROVAL

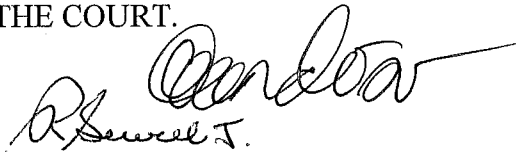
13. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

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



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

BY THE COURT.



Registrar

Schedule "A"

LIST OF ADDITIONAL PETITIONERS

Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Pacifica Poplars Ltd.
Catalyst Pulp and Paper Sales Inc.
Elk Falls Pulp and Paper Limited
Catalyst Paper Energy Holdings Inc.
0606890 B.C. Ltd.
Catalyst Paper Recycling Inc.
Catalyst Paper (Snowflake) Inc.
Catalyst Paper Holdings Inc.
Pacifica Papers U.S. Inc.
Pacifica Poplars Inc.
Pacifica Papers Sales Inc.
Catalyst Paper (USA) Inc.
The Apache Railway Company

Schedule "B"

Counsel Name	Name of Party
Lance Williams	Powell River Energy Inc., Quadrant Investments Ltd. and TimberWest Forest Corp.
Peter Reardon	JPMorgan Chase Bank, N.A.
David Gruber Melaney Wagner Rob Chadwick	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders
John Sandrelli Chris Ramsay	A Representative Group of 2016 Noteholders
William Skelly George Benchetrit (by telephone)	Wilmington Trust, National Association
Chris Simard	Ad Hoc Committee of 2014 Noteholders
Ari Kaplan	Catalyst Salaried Employees & Pensioner Committee
Dan Rogers	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)
Charles Gordon	PPWC Local 2
Sandra Wilkinson	Superintendent of Pensions
Heather Ferris Marc Wasserman	Board of Directors of Catalyst
Orestes Pasparakis (by telephone)	Wells Fargo Bank NA
Brent Johnston Andrea Glen	Catalyst TimberWest Retired Salaried Employees Association
Elizabeth Pillon (by telephone) Lisa Hiebert	Canexus Corp and Casco Inc.
Kendall Andersen	Tolko Industries Ltd. and BC Hydro
Tim Timberg	HMTQ in Right of Canada
David Hatter Elizabeth Rowbotham	HMTQ in Right of the Province of British Columbia
Sebastien Anderson	United Steelworkers International and USW Local 2688

Schedule “C”

**No. S120712
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**IN THE MATTER OF THE *COMPANIES’ CREDITORS ARRANGEMENT ACT*,
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AND THE PETITIONERS LISTED IN SCHEDULE “A”
TO THE PETITION FILED ON JANUARY 31, 2012**

PETITIONERS

PURSUANT TO AN ORDER of the Honourable Justice Sewell of the British Columbia Supreme Court (the “**Court**”) dated January 31, 2012, PricewaterhouseCoopers Inc. was appointed the monitor (the “**Monitor**”) of the Petitioners. Pursuant to an order of the Court dated March 21, 2012 (the “**Approval and Vesting Order**”), the Court approved the agreement for demolition and sale of certain assets at the Elk Falls mill site in Campbell River, B.C. dated March __, 2012, as may be amended from time to time (the “**Construction Agreement**”) between Catalyst Paper General Partnership (the “**Partnership**”) and Schnitzer Steel B.C. Ltd. (the “**Contractor**”) for Catalyst’s right, title and interest in and to the assets described in the Construction Agreement (the “**Purchased Assets**”) and ordered that all of the Partnership’s right, title and interest in and to the Purchased Assets, as described and defined in the

Construction Agreement, vest in the Contractor effective upon the delivery by the Monitor to the Contractor of this Certificate.

THE MONITOR HEREBY CERTIFIES as follows:

1. The Monitor has received written confirmation from the Contractor that it paid to the Partnership's counsel, and the Monitor received written confirmation from the Partnership that its counsel received the amounts owing to the Partnership as set out in Appendix "C" to the Construction Agreement.
2. The Monitor has received written confirmation from the Contractor and the Partnership that all conditions precedent under the Construction Agreement have been satisfied or waived in accordance with the Construction Agreement and that the Construction Agreement has not been terminated.

DATED at the City of Vancouver, in the Province of British Columbia, this [•] of [•], 2012.

**PRICEWATERHOUSECOOPERS INC. in its
capacity as court-appointed Monitor of the
Petitioners and not in its personal capacity**

By:

Name

Title

