

No. S-120712
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, AS AMENDED**

AND

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

AND

**IN THE MATTER OF CATALYST PAPER CORPORATION AND THE
PETITIONERS INCLUDED IN APPENDIX "A"**

MONITOR'S SIXTEENTH REPORT TO COURT

May 23, 2012



**CATALYST PAPER CORPORATION, ET AL
MONITOR’S SIXTEENTH REPORT TO COURT**

May 23, 2012

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	BACKGROUND.....	1
3.	FIRST LIEN NOTEHOLDERS MEETING.....	2
4.	UNSECURED CREDITORS MEETING	3
5.	SALE AND INVESTOR SOLICITATION PROCESS	4

APPENDICES

- A. Petitioner Parties Organization Chart**

CATALYST PAPER CORPORATION, ET AL MONITOR'S SIXTEENTH REPORT TO COURT

May 23, 2012

1. INTRODUCTION

- 1.1 On January 31, 2012, on the application of Catalyst Paper Corporation and the entities included in Appendix A (collectively referred to as "**Catalyst**" or the "**Company**"), the Supreme Court of British Columbia (the "**Court**") made an order (the "**Initial Order**") granting Catalyst protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Under the Initial Order, PricewaterhouseCoopers Inc. was appointed Monitor of the Company (the "**Monitor**").
- 1.2 Currently, there is a stay of proceedings under the CCAA that continues until June 30, 2012.
- 1.3 In accordance with the Order of the Court dated March 22, 2012, as amended (the "**Meetings Order**"), the Company held meetings of its secured and unsecured creditors on Wednesday May 23, 2012 to consider the Amended Plan of Compromise and Arrangement dated May 15, 2012 (the "**Amended Plan**").
- 1.4 This is the Monitor's 16th Report to Court. The purpose of this report is to advise the Court of the results from the votes held at the meeting of the creditors.
- 1.5 Unless otherwise stated, all monetary amounts noted herein are expressed in U.S. dollars.
- 1.6 All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Meeting Order and the Order of the Court dated March 22, 2012 (the "**SISP Order**").

2. BACKGROUND

- 2.1 The facts surrounding the Company's application for the Initial Order were set out in the Petition filed by Catalyst in the CCAA proceedings on January 31, 2012. The facts and details surrounding the Amended Plan were discussed in the Monitor's 15th Report. Additional information concerning the Company's restructuring process is set out in the Company's Information Circular dated March 23, 2012 (the "**Information Circular**") and discussed in the Monitor's 5th, 8th and 9th Reports.

CATALYST PAPER CORPORATION, ET AL MONITOR'S SIXTEENTH REPORT TO COURT

May 23, 2012

All of these documents as well as the Amended Plan can be found on the Monitor's website at:

www.pwc.com/car-catalystpaper

- 2.2 All prescribed materials filed by Catalyst and the Monitor relating to this CCAA proceeding are available to creditors and other interested parties in electronic format on the Monitor's website. The Monitor will continue to post regular updates to the website and will add prescribed and other materials as required.
- 2.3 The United States Bankruptcy Court for the District of Delaware (the "**US Court**") has recognized these proceedings as a foreign main proceeding pursuant to Chapter 15 of the US Bankruptcy Code. The Monitor's website also contains materials relating to the Chapter 15 proceedings in the US Court.

3. FIRST LIEN NOTEHOLDERS MEETING

- 3.1 The results of the vote conducted at the First Lien Noteholders Meeting are summarized in the table below:

Allowed Claims - First Lien Noteholders				
Creditors	Number of Claims	%	Claim Value	%
Voting For	132	99.2%	\$376,666,483	99.6%
Voting Against	1	0.8%	\$1,670,791	0.4%
Total	133	100.0%	\$378,337,274	100.0%

- 3.2 Accordingly the First Lien Notes Claims Class approved the Amended Plan.

**CATALYST PAPER CORPORATION, ET AL
MONITOR'S SIXTEENTH REPORT TO COURT**

May 23, 2012

4. UNSECURED CREDITORS MEETING

- 4.1 The results of the vote cast by holders of Allowed Claims are summarized in the table below:

Allowed Claims - Unsecured Creditors				
Creditors	Number of Claims	%	Claim Value	%
Voting For	415	95.0%	\$144,003,997	51.0%
Voting Against	23	5.0%	\$139,164,839	49.0%
Total	438	100.0%	\$283,168,836	100.0%

- 4.2 The votes cast by holders of Allowed Claims in the Unsecured Claims Class did not represent at least two thirds in value of all claims voted in person or by proxy at the meeting. Accordingly the Amended Plan was not approved by the Unsecured Claims Class.
- 4.3 Certain Claims were in dispute at the time of the vote. Votes were recorded separately for the Disputed Claims to determine whether the votes of these Disputed Claims would change the outcome of the vote if they were admitted in the full amount claimed.

**CATALYST PAPER CORPORATION, ET AL
MONITOR'S SIXTEENTH REPORT TO COURT**

May 23, 2012

- 4.4 The table below summarizes the results of the vote if the votes cast by holders of Allowed Claims and Disputed Claims were combined.

Combined (Allowed and Disputed Claims)				
Creditors	Number of Claims	%	Claim Value	%
Voting For	425	95.0%	\$247,336,851	64.0%
Voting Against	23	5.0%	\$139,164,839	36.0%
Total	448	100.0%	\$386,501,690	100.0%

- 4.5 As such the votes cast by creditors holding Disputed Claims would not have changed the result of the vote for the Unsecured Claims Class.
- 4.6 Accordingly the Amended Plan has not been approved by the requisite majorities of all classes of creditors. Under the terms of the SISP Order this constitutes Plan Failure.

5. SALE AND INVESTOR SOLICITATION PROCESS

- 5.1 Given that Plan Failure has occurred, the Sale and Investor Solicitation Process (the “**SISP**”) previously approved by the Court will now be implemented. The SISP provides for the solicitation of offers to purchase the Company’s business and assets while it continues operations. The SISP was summarized in the Monitor’s 5th Report.
- 5.2 As part of the SISP, the Company has been authorized and directed to enter into a Stalking Horse Purchase Agreement (the “**SHPA**”), which was discussed in the Monitor’s 8th and 15th Reports. The SISP is a phased process that will culminate in the sale of substantially all of the Company’s assets to the Stalking Horse Purchaser under the SHPA, or to another purchaser(s) if a superior offer is received, following an auction amongst Qualified Bidders within 73 days of Plan Failure.

**CATALYST PAPER CORPORATION, ET AL
MONITOR'S SIXTEENTH REPORT TO COURT**

May 23, 2012

- 5.3 The Company is commencing the SISP pursuant to the terms of the SISP Order while it continues its normal course operations. The Monitor will report to the Court on the status of the SISP as it progresses.
- 5.4 The Monitor notes that the Company's DIP Facility remains in place and is not affected by the Plan Failure.

This report is respectfully submitted this 23th day of May, 2012.

PricewaterhouseCoopers Inc.
Court Appointed Monitor of
Catalyst Paper Corporation, et al



Mica Arlette, CA, CIRP
Senior Vice President



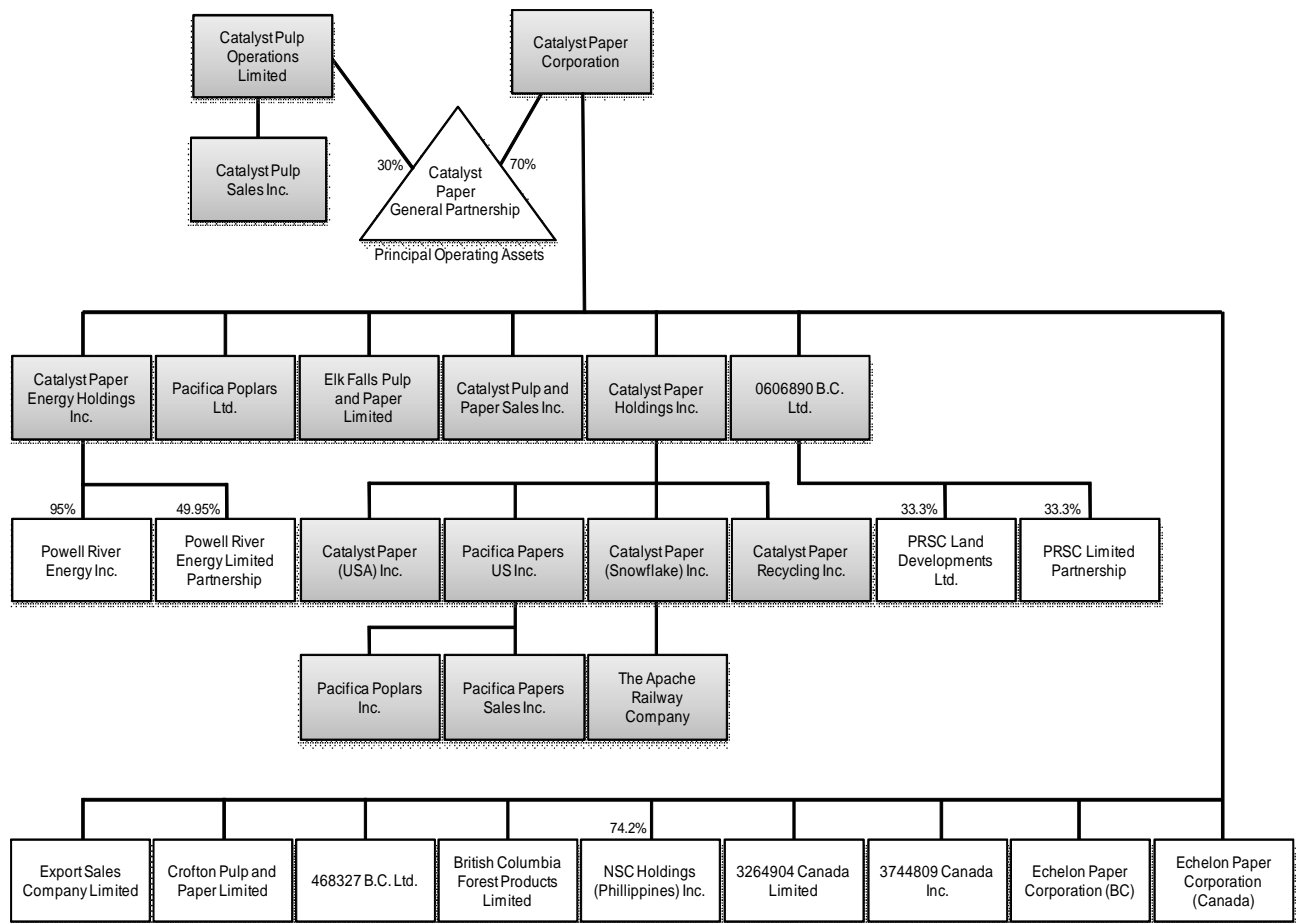
Neil Bunker, CA, CIRP
Vice President

APPENDIX A

Petitioner Parties Organization Chart

Catalyst Paper Corporation Organizational Chart

APPENDIX A



Notes

1. Unless otherwise noted, Common share ownership is 100%. Preferred share ownership is not identified in this chart.
2. Shaded entities represent the Petitioners in the CCAA proceedings.
3. Catalyst Paper General Partnership is also subject to the CCAA proceedings.