

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 NINETEENTH REPORT TO COURT

June 26, 2012



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

June 26, 2012

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	BACKGROUND.....	2
3.	FIRST LIEN NOTEHOLDERS MEETING	2
4.	UNSECURED CREDITORS MEETING	3
5.	SANCTION HEARING	4

APPENDIX

A. Petitioner Parties Organization Chart

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

June 26, 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 In accordance with the Order of the Court dated June 25, 2012, there is a stay of proceedings under the CCAA that continues until September 30, 2012.
- 1.3 In accordance with the Order of the Court dated June 18, 2012 (the “**Supplemental Meetings Order**”), the Company held meetings of its secured and unsecured creditors on Monday, June 25, 2012 to consider the Amended Plan of Compromise and Arrangement dated June 14, 2012 (the “**Second Amended Plan**”).
- 1.4 This is the Monitor’s 19th Report to Court. The purpose of this report is to advise the Court of the results from the votes held at the meetings of the creditors to consider the Second Amended Plan, including whether the requisite majorities of creditors (2/3 in value and greater than 50% in number) voted in favour.
- 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 Supplemental Meetings Order.

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

June 26, 2012

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 Second Amended Plan were discussed in the Monitor's 17th 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, 9th, 16th and 17th Reports. 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%	\$380,827,274	99.6%
Voting Against	1	0.8%	\$1,689,247	0.4%
Total	133	100.0%	\$382,516,531	100.0%

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

June 26, 2012

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

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	1699	99.1%	\$312,171,221	99.4%
Voting Against	16	0.9%	\$1,893,074	0.6%
Total	1715	100.0%	\$314,064,295	100.0%

4.2 Accordingly, the Second Amended Plan was approved by the Unsecured Claims Class.

4.3 In addition to the above claims that have been allowed, there are 14 claims that remain in dispute totaling approximately \$219 million. These Disputed Claims are summarized below:

4.3.1 Six of these claims were filed by the two unions in respect of concessions made in the New Labour Agreements, which the unions have valued at approximately \$101 million;

4.3.2 One of these claims, was filed by the Catalyst Salaried Employees & Pensioner's Group in respect of the solvency deficit in the Salaried Pension Plan totaling approximately \$114 million; and

4.3.3 Seven claims filed by separate parties representing a variety of claims totaling \$4 million.

4.4 Only eight of the Disputed Claims, totaling \$103 million (including the six union claims) voted on the Second Amended Plan. All eight of the Disputed Claims voted in favour of the Second Amended Plan. As such, the votes cast by creditors holding

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

June 26, 2012

Disputed Claims would not have changed the result of the vote for the Unsecured Claims Class.

- 4.5 The Disputed Claims will be resolved over the next few weeks prior to the distribution contemplated in the Second Amended Plan being made.

5. SANCTION HEARING

- 5.1 As noted above, the Second Amended Plan has been approved by the requisite majorities of both classes of Creditors.
- 5.2 As noted in the Monitor's 17th report dated June 15, 2012, the Monitor concluded that the Second Amended Plan was fair and reasonable as between the Company and its Creditors.
- 5.3 In light of the results of the Creditors' approval of the Second Amended Plan and the Monitor's view on the fairness and reasonableness thereof, the Monitor recommends that the Court approve the Second Amended Plan.

This report is respectfully submitted this 26th day of June, 2012.

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



Mike Vermette, CA, CIRP
Senior Vice President



Neil Bunker, CA, CIRP
Vice President

APPENDIX A

Petitioner Parties Organization Chart

APPENDIX A

