

AUG 28 2012



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

APPROVAL OF SALE (ELK FALLS)

BEFORE THE HONOURABLE)
MR. JUSTICE SEWELL) August 28, 2012
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 28th day of August 2012; AND ON HEARING, Bill Kaplan, Q.C., Jeff Langlois and Andrew Crabtree counsel for the Petitioners, Kibben Jackson, 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 SALE AGREEMENT

1. The sale transaction (the "**Transaction**") contemplated by the agreement of purchase and sale (the "**Sale Agreement**") among Catalyst Paper Corporation ("**CPC**"), Catalyst Pulp Operations Limited, Elk Falls Pulp and Paper Limited (collectively, the "**Company**") and Pacifica Deep Sea Terminals Incorporated (the "**Purchaser**"), dated August 16, 2012, and attached as Exhibit "A" to the Affidavit #8 of Robert Lindstrom made August 23, 2012, is hereby approved.

2. The execution, delivery and performance of the Sale Agreement by the Company are hereby authorized and approved (with such alterations and amendments as the parties thereto may agree, subject to obtaining the consent of the Monitor and the Steering Group of 2016 Noteholders prior to making any material alterations or amendments to the Sale Agreement), and the Company is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the transactions contemplated by the Sale Agreement, including without limitation, the Transaction and the conveyance of the Company's right, title and interest in and to the land and assets described in the Sale Agreement (collectively, the "**Acquired Assets**") to the Purchaser.

3. Upon the delivery of a Monitor's certificate to the Purchaser substantially in the form attached as **Schedule "C"** hereto (the "**Monitor's Certificate**"), all of the Company's right, title and interest in and to the Acquired Assets shall vest absolutely in the Purchaser 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, but not limited to, the Orders of the Court dated January 31, 2012 (as

Amended and Restated) and Orders dated February 3, 2012, February 7, 2012 and March 9, 2012; and

- (b) liens, including without limitation mechanics' liens, repairers liens, builders' liens and statutory liens.

but specifically excluding the Permitted Encumbrances (as such term is defined in the Sale Agreement). For greater certainty, this Court orders that all of the Claims affecting or relating to the Acquired Assets are hereby expunged, discharged, released and deleted as against the Acquired Assets, save and except for the Permitted Encumbrances.

4. Nothing in this Order exempts or relieves the Company or the Purchaser from obtaining any consents or approvals or giving any notices required under any enactment of the Province of British Columbia or any agreement, licence, permit, approval, certificate or other instrument issued under the authority of an enactment of the Province of British Columbia in connection with any transfer or assignment of any of the Acquired Assets as contemplated in the Sale Agreement or this Order or makes an Acquired Asset transferable or assignable if such Acquired Asset is not, by virtue of an enactment of the Province of British Columbia, transferable or assignable. Notwithstanding any other provision of this Order the vesting in the Purchaser of the Company's right, title and interest in and to any of the Acquired Assets that requires any such consent or approval is not effective unless and until such consent or approval is obtained.

5. The Registrar of Victoria Land Title Office is hereby directed to discharge, release, delete and expunge from title the registrations on the lands which are registered in the Victoria Land Title Office, as set out in **Schedule "D"** to this Order, forthwith upon receipt by such person of:

- (a) a letter from Blake, Cassels & Graydon LLP to such registry authorizing the registration and/or filing of this Order; and
- (b) a certified copy of this Order.

6. The Monitor shall file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to the Purchaser. 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 Transaction.

7. In the event that the Transaction completes prior to the Effective Date (as such term is defined in the Second Amended and Restated Plan of Compromise and Arrangement, dated June 14, 2012):

- (a) the proceeds of sale arising from or related to the Transaction and the Acquired Assets that the Company receives pursuant to the Transaction (the “**Proceeds**”) shall stand in the place and stead of the Acquired 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 Acquired Assets immediately prior to the sale as if the Transaction had not completed and the Acquired Assets had not been sold and remained in the possession or control of the Company. The Order made herein is without prejudice to: (a) the rights of the Company or any stakeholder to take the position that the Acquired Assets are, or are not, Excluded Assets; and (b) the rights of the 2016 Noteholders and the DIP Lender to claim that the 2016 Notes Security and the DIP Lender’s Charge, respectively (as defined in the Amended and Restated Initial Order of this Court dated February 3, 2012) attach to the Proceeds; and
- (b) the Company 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 the Monitor, to be released to the Company on the Effective Date, or as further directed by the Court on application.

8. In the event the Transaction completes after the Effective Date, the Proceeds shall be deposited with the Company.

9. 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 Acquired Assets in the Purchaser 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.

10. 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.

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

AID AND RECOGNITION OF THIS ORDER

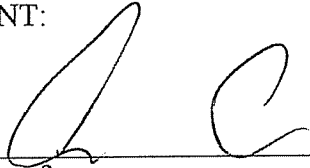
12. THIS COURT REQUESTS the aid of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, (including, without limitation, the United States Bankruptcy Court), to act in aid of this Court in approving the terms of the Transaction as set forth in the Sale Agreement 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 approve the Transaction, (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 Transaction as set forth in the Sale Agreement.

APPROVAL

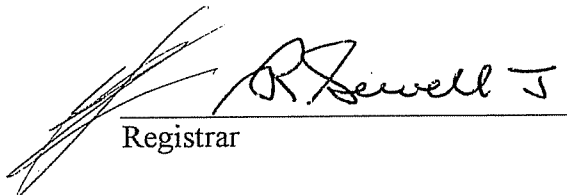
13. Endorsement of this Order by counsel appearing on this application, other than counsel for the Petitioners, is hereby dispensed with.

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./Andrew Crabtree

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"

APPEARANCE LIST – AUGUST 28, 2012

Party	Name of Party	Counsel Name
The Petitioners	Catalyst Paper Corporation and others	Bill Kaplan, Q.C. Peter Rubin Andrew Crabtree Jeff Langlois
The Monitor	PricewaterhouseCoopers Inc.	Kibben Jackson
Interested Parties	A Representative Group of 2014 Unsecured Noteholders and certain 2016 Noteholders	David Gruber Melanie Wagner (by telephone)
Interested Party	Wilmington Trust, National Association	Benjamin La Borie
Interested Parties	A Representative Group of 2016 Noteholders	John Sandrelli
Interested Party	Superintendent of Pensions	Sandra Wilkinson
Interested Parties	Catalyst TimberWest Retired Salaried Employees Association	Andrea Glen
Interested Parties	CEP Unions – Locals 1, 76 (Powell River), 592, 686 (Port Alberni), 1132 (Crofton), 630, 1123 (Campbell River)	Dan Rogers
Interested Parties	Powell River Energy Inc., Quadrant Investments Ltd., TimberWest Forest Corp., Western Forest Products and Edward C. Kress, Harry A. Goldgut and Richard Legault, Trustees of Powell River Energy Trust	Mary Buttery
Interested Parties	United Steelworkers International and USW Local 2688	Stefanie Quelch
Interested Party	Board of Directors of Catalyst	Patrick Riesterer (by telephone)
	<i>Province of British Columbia</i>	<i>Elizabeth Rowbotham</i>
	<i>JP Morgan Chase</i>	<i>Jennifer Cockbush</i>

Schedule "C"

No. S120712
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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IN THE MATTER OF CATALYST PAPER CORPORATION
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 August 28, 2012, the Court approved the agreement for sale of certain lands and assets (the "**Acquired Assets**") in British Columbia, Canada, dated August 16, 2012, as may be amended from time to time (the "**Sale Agreement**"), among Catalyst Paper Corporation, Catalyst Pulp Operations Limited, Elk Falls Pulp and Paper Limited (collectively, the "**Company**") and Pacific Deep Sea Terminals Incorporated (the "**Purchaser**") for the Company's right, title and interest in and to the Acquired Assets and ordered that all of the Company's right, title and interest in and

to the Acquired Assets, as described and defined in the Sale Agreement, shall vest in the Purchaser effective upon the delivery by the Monitor to the Purchaser of this Certificate.

THE MONITOR HEREBY CERTIFIES as follows:

14. The Monitor has received written confirmation from the Purchaser that it paid to the Company's counsel, and the Monitor received written confirmation from the Company that its counsel received the amounts owing to the Company as set out in the Sale Agreement.

15. The Monitor has received written confirmation from the Purchaser and the Company that all conditions precedent under the Sale Agreement have been satisfied or waived in accordance with the Sale Agreement and that the Sale Agreement has not been terminated.

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

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

By:

Name

Title

Schedule "D"

Description of charges to be removed

1. Mortgage CA1482588 and Assignment of Rents CA1482589 in favour of Computershare Trust Company of Canada;
2. Mortgage CA1482609 (transferred by FB422192 and modified by FB421275) and Assignment of Rents CA1482610 (transferred by FB422193 and modified by FB421276) in favour of JPMorgan Chase Bank, National Association; and
3. Claim of Builders Lien CA2397020 in favour of T-MAR Industries Ltd. from the following parcels of land:

000 849 731	District Lot 120 (DD 215778I) Sayward District Except part in Plans 14946 and VIP57724
000 849 821	That part of District Lot 67 Sayward District shown outlined in red on Plan 1374 RW
000 848 905	Lot A District Lot 68 Sayward District Plan 20538 except Plan EPP7297
000 849 561	That part of District Lot 151 Sayward District shown outlined in red on Plan 1433R
000 849 502	That Part of District Lot 163 Sayward District shown outlined in red on Plan 1431R
001 233 475	Block B of Lot 1504 Sayward District
001 233 467	Block C of Lot 1504 Sayward District
001 233 459	Block D of Lot 1504, Sayward District
000 848 913	Lot 1 District Lot 68 Sayward District Plan 16712
000 849 855	That part of District Lot 52 Sayward District shown outlined in red on Plan 659 RW
000 849 847	That part of District Lot 67 Sayward District shown outlined in red on Plan 659 RW
000 849 910	District Lot 26 Sayward District except part in Plans 34604 and 42540
000 848 921	Lot 1 District Lot 109 Sayward District Plan 16956
000 849 430	District Lot 164 Sayward District shown outlined in red on Plan 1431R
001 233 432	District Lot 109 Sayward District except Parcel A (DD 285472- I) and those parts in Plans 1373- R, 16956, 19371, 50636 and VIP54479, VIP64521 and EPP7297
001 233 441	Lot 1599 Sayward District except that part in Plan VIP64521
000 846 287	District Lot 2 Sayward District except those parts in Plans 19371, 42540, 50636, VIP64521, VIP64522 and VIP76652