

JAN 17 2012

S-120362  
No. \_\_\_\_\_  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF SECTION 192 OF THE  
CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985, C. C-44, AS AMENDED**

**AND**

**IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
CATALYST PAPER CORPORATION AND ECHELON PAPER CORPORATION**

**CATALYST PAPER CORPORATION  
ECHELON PAPER CORPORATION**

**PETITIONERS**

**PETITION TO THE COURT**

**This proceeding has been started by the Petitioners for the relief set out in Part 1 below.**

If you intend to respond to this Petition, you or your lawyer must

- (a) file a Response to Petition in Form 67 in the above-named registry of this court within the time for response to petition described below, and
- (b) serve on each of the Petitioners
  - (i) 2 copies of the filed response to petition, and
  - (ii) 2 copies of each filed affidavit on which you intend to rely at the hearing

**Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the response to petition within the time for response.**

**Time for Response to Petition**

A Response to Petition must be filed and served on the Petitioners,

- (a) if you were served with the Petition anywhere in Canada, within 21 days after that service,

- (b) if you were served with the Petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the Petition anywhere else, within 49 days after that service, or,
- (d) if the time for response has been set by order of the court, within that time.

(1)	The address of the registry is:  The Law Courts 800 Smithe Street Vancouver, BC V6Z 2E1
(2)	The ADDRESS FOR SERVICE of the Petitioners is:  Blake, Cassels & Graydon LLP Barristers & Solicitors Suite 2600, Three Bentall Centre 595 Burrard Street, PO Box 49314 Vancouver, BC V7X 1L3 Attention: Bill Kaplan, Q.C./Sean K. Boyle
	Fax number address for service (if any) of the Petitioners: 604-631-3309
	E-mail address for service (if any) of the Petitioners: N/A
(3)	The name and office address of the Petitioners' lawyer is: Blake, Cassels & Graydon LLP Barristers & Solicitors Suite 2600, Three Bentall Centre 595 Burrard Street, PO Box 49314 Vancouver, BC V7X 1L3 Attention: Bill Kaplan, Q.C./ Sean K. Boyle

### CLAIM OF THE PETITIONERS

#### Part 1: ORDERS SOUGHT

1. An Interim Order in the form attached as Schedule "A" to this Petition;
2. An order approving a form of Management Information Circular (the "Circular") of Catalyst Paper Corporation ("Catalyst") and that the Circular be deemed to represent sufficient

and adequate disclosure, including for the purpose of section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "CBCA"), and Catalyst shall not be required to send to the holders of 7 3/8% senior notes (the "2014 Notes") due March 1, 2014 (the "2014 Noteholders") issued pursuant to the indenture dated March 23, 2004 ("2014 Indenture") or the holders of 11% senior secured notes and Class B 11% senior secured notes (collectively, the "2016 Notes") due December 15, 2016 (the "2016 Noteholders") issued pursuant to the indentures dated March 10, 2010 and May 19, 2010 ("2016 Indentures") any other or additional information pursuant to section 192 of the CBCA;

3. An order approving a form of proxy that Catalyst is authorized to use in connection with the special meetings of 2014 Noteholders and 2016 Noteholders;

4. A declaration that a vote of the holders of common shares ("Common Shares") in the capital of Catalyst ("Shareholders") is not required for court approval of the proposed plan of arrangement pursuant to section 192(4)(e) of the CBCA which will be more fully described in the Circular (the "Arrangement");

5. In the alternative to paragraph 4, an order setting the date, time and location for a meeting of Shareholders and providing direction with respect to notice and voting procedures in connection with the adoption and approval of the Arrangement;

6. An order that pursuant to the provisions of the Restructuring and Support Agreement ("RSA") the votes of the 2014 Noteholders and 2016 Noteholders which are cast in favour of the Arrangement at the Noteholder Meetings (as defined below) shall, in the event of a subsequent *Companies' Creditors Arrangement Act* ("CCAA") proceeding being commenced as a result of the Petitioners not obtaining the requisite votes at the Noteholder Meetings or obtaining the Order sought in paragraph 7, and provided that the plan of arrangement proposed pursuant to the CCAA implements a recapitalization and restructuring plan consistent in all respect with the terms of the RSA ("CCAA Plan") stand as and being counted as votes in favour of the CCAA Plan in such CCAA proceedings;

7. A final Order (the "Final Order") approving the Arrangement and its terms and conditions, pursuant to Section 192 of the CBCA and a declaration that the terms and conditions

of the Arrangement and the exchange of securities to be effected by completion of the Arrangement are fair and reasonable,

8. Such further and other relief, orders and declarations as counsel for the Petitioners may advise and the Court may deem just for the purposes of implementing the Arrangement and any provisions thereof and any steps and transactions contemplated thereto.

## **Part 2: FACTUAL BASIS**

### **BACKGROUND TO THE ARRANGEMENT**

#### **Overview of the Arrangement**

9. The Proposed Arrangement (as defined below) is part of a series of transactions regarding the overall recapitalization of Catalyst, the effect of which will substantially improve the capital structure and financial position of Catalyst to establish a stable foundation for the execution of Catalyst's operating strategy. The Proposed Arrangement will reduce Catalyst's net third party debt by approximately \$315.4 million through an exchange of debt for equity. The Proposed Arrangement will reduce Catalyst's annual cash interest expense by up to \$25.5 million. These transactions will, in turn, provide Catalyst with increased liquidity, reduced financial risk and a more sustainable capital structure, thereby improving overall financial flexibility.

#### **Catalyst**

10. The Petitioner Catalyst is a company incorporated under the CBCA. It is a publicly traded entity which trades on the Toronto Stock Exchange under the symbol CTL. The authorized share capital of Catalyst consists of an unlimited number of common shares and 100,000,000 preferred shares. As of January 14, 2012, Catalyst had 381,900,450 common shares and preferred shares issued and outstanding.

11. Catalyst is the ultimate parent company of 28 direct and indirect subsidiaries, which includes the impleaded parties listed in Schedule "B" of this Petition (the "Impleaded Parties").

12. The following companies are subsidiaries of Catalyst and are guarantors under the 2014 Indenture, the 2016 Indenture and the ABL Facility: Catalyst Pulp and Paper Sales Inc. ("CPP

Sales”), Catalyst Paper Energy Holdings Inc. (“CP Energy”), 0606890 B.C. Ltd. (“0606”), Catalyst Pulp Operations Limited (“Catalyst Pulp”), Catalyst Pulp Sales Inc. (“Catalyst Pulp Sales”), Elk Falls Pulp and Paper Limited (“EFPP”), Pacifica Poplars Ltd. (“Pacifica Poplars”), Catalyst Paper Holdings Inc. (“CP Holdings”), Catalyst Paper (USA) Inc. (“CP USA”), Pacifica Poplars Inc. (“Pacifica Poplars US”), Pacifica Papers Sales Inc. (“Pacifica Sales”), Pacifica Papers US Inc. (“Pacifica Papers”), Catalyst Paper (Snowflake) Inc. (“CP Snowflake”), Catalyst Paper Recycling Inc. (“CP Recycling”), and The Apache Railway Company (“Apache”).

13. CPP Sales, CP Energy, 0606, Catalyst Pulp, Catalyst Pulp Sales, EFPP and Pacifica Poplars are involved in Catalyst’s Canadian operations. CPP Sales manages the Canadian sales and distribution activities. CP Energy is a holding company for Catalyst’s interest in subsidiaries operating the power generating station supplying the mill in Powell River. 0606 is a partner in a limited partnership which engages in certain land development activities. Catalyst Pulp holds the legal title to the pulp manufacturing assets. Catalyst Pulp Sales markets excess wood fibre produced by Catalyst’s operations. EFPP holds the legal title to the property at the Elk Falls Mill. Pacifica Poplars owns certain poplar lands in Canada.

14. CP Holdings, CP USA, Pacifica Poplars US, Pacifica Papers, Pacifica Sales, CP Snowflake, CP Recycling and Apache are involved in Catalyst’s American operations. CP Holdings is the holding company for all entities comprising the American operations. CP USA is involved in the sale of product to US customers. Pacifica Poplars US owns certain poplar lands in the US. Pacifica Papers and Pacifica Sales have been inactive since 2001. CP Snowflake carries on the manufacturing activity at the Snowflake Mill. CP Recycling previously bought and sold raw material for CP Snowflake but is currently inactive. Apache operates a shortline railroad wholly within Arizona connecting the Snowflake Mill to the main railway line.

15. Catalyst Paper General Partnership (the “General Partnership”) is also a guarantor under the 2014 Indenture, the 2016 Indenture and the ABL Facility. The General Partnership carries on all Canadian manufacturing activities and employs all employees working at the Canadian Mills.

16. Catalyst has a lengthy history in British Columbia in the pulp and paper industry. Catalyst is the largest producer of mechanical printing papers in Western North America.

Catalyst's business is comprised of three segments: specialty printing papers, newsprint and pulp. Catalyst provides paper and pulp for commercial printers, publishers and paper manufacturers in North America, Latin America, the Pacific Rim and Europe.

17. Catalyst owns and operates four pulp and paper manufacturing plants, three of which are located in British Columbia. The three Canadian facilities are located at Crofton, Port Alberni, and Powell River, respectively (the "Canadian Mills"). The fourth facility is at Snowflake, Arizona (the "Snowflake Mill"). The Snowflake Mill has an associated railway line of approximately 72 kilometers of main line track, which is operated by Catalyst wholly within Arizona to connect the Snowflake Mill to the Burlington Northern and Santa Fe Railway line. Catalyst also operates a central distribution centre in Surrey, British Columbia (the "Distribution Centre") for its finished goods.

18. Catalyst recently closed operations at two other locations: a manufacturing plant at Campbell River, British Columbia (the "Elk Falls Mill"), and a paper recycling facility in Coquitlam, British Columbia (the "Recycling Facility"). Catalyst retains an interest in the property and assets at the Elk Falls Mill and the Recycling Facility.

19. Catalyst maintains leases at several properties including the location of its head office in Richmond, British Columbia, its office in Nanaimo and the Recycling Facility. Catalyst sub-leases the facilities for the Distribution Centre. The four manufacturing plants and the Elk Falls Mill are situated on land owned by Catalyst.

20. Catalyst employs approximately 1,859 full-time salaried and hourly employees: 1,545 in Canada and 314 in the United States. In addition, Catalyst employs 39 individuals on temporary contracts and has 196 employees on long-term disability leave and 14 other employees on various leaves, for an overall total of approximately 2,100 employees.

21. Catalyst has faced increasingly challenging business conditions as a demand for, and price of its principal product, mechanical printing papers, has experienced declines amplified by the effect of uncertain financial markets and the recent economic downturn. Accordingly, Catalyst has been considering its alternatives to address its capital structure and reduce its debt burden.

### Jurisdiction

22. The Petitioners and the Impleaded Parties are part of a consolidated business comprising various manufacturing, sales, and distribution facilities and offices in Canada and the United States that are operationally and functionally integrated in many respects. The Impleaded Parties are governed by Catalyst directly. The Impleaded Parties attorn to the jurisdiction of this Court and confirm that they are subject to this proceeding.

23. The principal and head office of Catalyst and the registered offices of Catalyst and the Canadian Subsidiaries (as defined in the Catalyst Affidavit) as well as the General Partnership are located at: 2<sup>nd</sup> Floor, 3600 Lysander Lane, Richmond, British Columbia.

24. All of the American Subsidiaries (as defined in the Catalyst Affidavit) have assets in Canada, namely funds on deposit in bank accounts located in Vancouver, British Columbia.

25. Catalyst, the General Partnership, CP Holdings and CP Snowflake (all as defined in the Catalyst Affidavit) are borrowers under the ABL Facility described below, which is secured by all of Catalyst's and the Impleaded Parties' current assets.

26. Catalyst is the issuer of the 2014 Notes and the 2016 Notes.

27. The Impleaded Parties are guarantors of the 2014 Notes and the 2016 Notes under the 2014 Indenture and the 2016 Indentures.

28. Catalyst may require a recognition order under Chapter 15 of title 11 of the United States Code (the "U.S. Bankruptcy Code") to assist with global implementation of a recapitalization transaction to be completed through a plan of arrangement pursuant to Section 192 of the CBCA (the "Proposed Arrangement"). In order to obtain this order, the Petitioners require confirmation from this Court that British Columbia is the Centre of Main Interest for Catalyst and the Impleaded Parties.

29. The Petitioner and Impleaded Parties' centre of main operations is British Columbia notwithstanding the existence of certain operations in the United States. The facts demonstrating that Catalyst and the Impleaded Parties operate out of British Columbia are:

- (a) Catalyst and the Impleaded Parties have assets in Canada and each of the companies comprising American Subsidiaries have funds in a bank account at the Canadian Imperial Bank of Commerce;
- (b) the operations of Catalyst and the Impleaded Parties are directed from Catalyst's head office in Richmond, British Columbia;
- (c) all of the American Subsidiaries have management staff who report directly to Catalyst on issues affecting the operations and business activities of the American Subsidiaries;
- (d) three of Catalyst's mills, which constitute the majority of its production capacity, are in British Columbia;
- (e) corporate governance for Catalyst and the Impleaded Parties is directed from Richmond, British Columbia;
- (f) strategic and key operating decisions and key policy decisions are made by centralized senior management located in Richmond, British Columbia;
- (g) management of tax, treasury and cash management for Catalyst and the Impleaded Parties is done from Richmond, British Columbia and local plant finance staff report to senior finance management in Richmond, British Columbia;
- (h) the human resources functions for Catalyst and the Impleaded Parties are managed from Richmond, British Columbia and all local human resources staff report into Richmond, British Columbia;

- (i) primary research and development functions including new product conceptions and development, regulatory and clinical development, safety issues and quality control are directed from and carried out in Richmond, British Columbia;
- (j) Catalyst and the Impleaded Parties' information technology and systems are directed from Richmond, British Columbia;
- (k) plant management and senior staff of Catalyst and the Impleaded Parties regularly attend meetings in Richmond, British Columbia;
- (l) all public company reporting and investor relations are directed from Richmond, British Columbia;
- (m) senior management and all sales (including the United States sales functions), manufacturing (including the general manager of the Snowflake Mill), operations (including the general manager responsible for The Apache Railway) and legal staff report to Catalyst's chief executive officer, Kevin Clarke, who is based in Richmond, British Columbia.

30. Of the Senior Management, the Vice-President Sales is the only individual who resides permanently in the U.S. Mr. Clarke, the CEO, is a U.S. citizen who has residences in the U.S. and Canada, and attends to Company business primarily from Catalyst's head office in Canada. Mr. Clarke assists with international and U.S. sales functions and spends time in the U.S. attending to those functions. His principal office is in Richmond, British Columbia and he spends over 60% of his time in Canada.

31. Catalyst owns several significant properties in Canada and the United States. Three of the Canadian properties are the lands and facilities associated with mills that are operating. One operation which has been permanently closed, is also on property currently owned by Catalyst. Catalyst also leases several properties in Canada and the United States.

32. The Petitioners intend that the relief requested in the Chapter 15 proceedings will include, among other things:

- (a) recognition of these proceedings under Chapter 15 of the Bankruptcy Code, including but not limited to any and all relief available under section 1520 of the Bankruptcy Code;
- (b) establishment of Catalyst, on behalf of Catalyst and the Impleaded Parties, as a foreign representative;
- (c) enforcement of the Interim Order in the United States, including the enforcement of the stay of proceedings; and
- (d) enforcement of the Final Order and any additional orders sought in these proceedings in the United States.

### **Outstanding Debt Obligations**

33. Catalyst has substantial operations that are the result of a history of business and growth. The growth of Catalyst throughout the first half of the 2000s was achieved in part through Catalyst's incurrence of debt. Catalyst's ability to repay and service that debt load has been significantly impaired by the significant and more rapid than expected declines in demand for its products and the unforeseen global financial instability. Interest payments and payments to address solvency deficiencies in its pension plans have diverted funds away from manufacturing, product development, sales, marketing and other critical business development activities.

34. Catalyst's indebtedness limits its ability to plan for or to react to changes in its business and the industry. It also increases Catalyst's vulnerability to adverse economic and industry conditions and has limited Catalyst's ability to obtain alternative financing for debt reduction, working capital requirements, capital expenditures, acquisitions, general corporate and other purposes. Finally, it places Catalyst at a disadvantage relative to its competitors, most of which have less indebtedness or greater access to financing.

35. In addition to the debt owing pursuant to the 2014 Notes, 2016 Notes and the ABL Facility, as described further below, Catalyst, at any given time, is indebted to trade creditors and suppliers. As at January 12, 2012, Catalyst had debt in the amount of approximately \$80 million in respect of trade and supply obligations arising in the normal course of business. Catalyst

intends that the Proposed Arrangement will result in the payment of all trade creditors for supplies and services provided, including those provided prior to the filing date.

36. As of December 31, 2011, the amount of accrued vacation pay Catalyst owes to its employees was approximately \$23 million.

### **The ABL Facility**

37. The Asset-Based Lending Facility (“ABL Facility”) is a revolving line of credit that Catalyst has used for various financial needs. The ABL Facility provides Catalyst with liquidity for working capital and general corporate purposes. In addition to a line of credit, the ABL Facility provides for letters of credit and other banks services. As of January 12, 2012, Catalyst had drawn approximately \$63 million and approximately \$32 million issued through letters of credit.

38. Interest on the drawings of the ABL Facility is at the prime rate for drawings in Canadian currency and the US prime rate minus 0.25% for American currency drawings. The fees for the letters of credit issued under the ABL Facility are calculated at 2.5%.

39. On May 31, 2011, Catalyst amended and restated its credit agreement with JPMorgan, Toronto Branch as administrative agent, J.P. Morgan Securities LLC and CIBC Asset-Based Lending Inc. as joint bookrunners and co-lead arrangers, and various lenders. The Canadian Subsidiaries and the American Subsidiaries are guarantors of the ABL Facility.

40. The ABL Facility is secured by a first priority charge on Catalyst and the Impleaded Parties’ current assets including accounts receivable, inventories, cash, and a second priority charge over those assets subject to the first priority charge of the 2016 Notes, as set out below and certain excluded assets.

### **Catalyst Noteholders**

#### **2016 Notes**

41. On March 10, 2010, Catalyst closed its offer to exchange 8<sup>5</sup>/<sub>8</sub>% senior notes due June 15, 2011 for 11% senior secured notes due December 15, 2016. On May 19, 2010, pursuant

to a second indenture, Catalyst issued Class B 11% senior secured notes due December 15, 2016, which rank equally with all existing and future 11% senior secured notes. As of November 30, 2011, the total indebtedness under the 2016 Notes is approximately US\$390 million.

42. The 2016 Notes are secured by a charge over all the assets of Catalyst save and except for certain excluded assets.

43. The charge is a first priority charge over the lands and buildings, all equipment, machinery and fixtures, the leasehold interest in the Recycling Facility, general intangibles and other hard assets of Catalyst and a second priority charge over the current assets, over which the ABL Facility has priority.

44. On December 15, 2011, Catalyst deferred an interest payment of US\$21 million on the 2016 Notes. Pursuant to the terms of the 2016 Indentures, Catalyst had a grace period within which to pay this amount before triggering an event of default. The existence of an event of default allows the trustee to declare the US\$390 million principal amount and all accrued interest on the 2016 Notes immediately due and payable and to begin proceedings to realize upon the security held in connection with the 2016 Notes.

#### 2014 Notes

45. On March 23, 2004, Catalyst closed its offering of unsecured 7.375% senior notes due March 1, 2014, which resulted in net proceeds to Catalyst of approximately US\$245 million. This indenture was made between Norske Skog Canada Limited (now Catalyst) as issuer, the Guarantors, and Wells Fargo Bank, National Association, as trustee.

46. The 2014 Noteholders are owed in the aggregate US\$250 million. The 2014 Notes are unsecured notes issued pursuant to the 2014 Indenture. Interest at  $7\frac{3}{8}\%$  is payable on the principal amount of the 2014 Notes and the next interest payment of approximately US\$9 million is due on March 1, 2012.

**Catalyst Shareholders**

47. The authorized capital of Catalyst consists of an unlimited number of common shares and 100,000,000 preferred shares. As of December 31, 2011, there were 381,900,450 common shares outstanding. There are no other classes of shares outstanding as of the date of this Petition.

48. Catalyst is a publicly traded entity which trades on the Toronto Stock Exchange under the symbol CTL. The closing price of the Shares on January 16, 2012 was \$0.03.

49. Catalyst has not paid any dividends on the Shares for many years.

50. Third Avenue Management Ltd. ("Third Avenue") is Catalyst's largest Shareholder, holding approximately 29% of all Shares.

51. The Petitioners seek a declaration that a vote of the Shareholders is not required for court approval of the Arrangement pursuant to section 192(4)(e) of the CBCA.

**Echelon Paper Corporation**

52. The Petitioner Echelon Paper Corporation ("Echelon") is a company incorporated under the CBCA with a head office located at 2nd Floor, 3600 Lysander Lane, Richmond, British Columbia, V7B 1C3.

53. Echelon is a subsidiary of Catalyst. The Proposed Arrangement will involve Echelon undergoing a fundamental change, involving the following steps, among other things

- (a) transfer all of the shares of Echelon from Catalyst to Catalyst Pulp and Paper Sales Inc. ("CPPS") in exchange for shares of CPPS, and
- (b) amalgamate CPPS and Echelon with the resulting entity being named CPPS.

54. It is not practicable for Echelon to effect this fundamental change under any other provision of the CBCA other than by way of the Proposed Arrangement.

55. Echelon is not insolvent within the meaning of Section 192 of the CBCA.

## THE PLAN OF ARRANGEMENT

### Overview

56. The Proposed Arrangement is intended to offer substantial benefits to Catalyst, including:
- (a) enhanced flexibility to respond to the downturn in the market for paper, newsprint and pulp;
  - (b) improved capital structure: \$315.4 million reduction in debt; and
  - (c) reduced cash interest expense: between \$25.5 million and \$37 million reduction in annual cash interest expense.
57. The Proposed Arrangement steps will include, among other things:
- (a) Catalyst's US\$390.4 million aggregate principal amount of outstanding 2016 Notes will be exchanged for:
    - (i) US\$325 million aggregate principal amount of new 11% first lien notes (the "New Notes") the terms of which are described below; and
    - (ii) 80% of Catalyst's Common Shares (subject to dilution from common shares issued to holders of warrants, as described below).
  - (b) Catalyst's US\$250 million aggregate principal amount of 2014 Notes will be exchanged for:
    - (i) 15% of Catalyst's Common Shares (subject to dilution from common shares issued to holders of warrants);
    - (ii) warrants which will be exercisable to acquire up to 15% of the fully diluted common shares of Catalyst as of the effective date of the recapitalization at an exercise price aggregate equity value of \$111.7 million, for up to four years from the effective date of the recapitalization; and

(iii) an additional 4.5% of Catalyst's common shares (subject to dilution from common shares issued to holders of warrants), provided that only holders of 2014 Notes that agree to support the Proposed Arrangement by the early consent date, which is currently fixed at January 27, 2012, will be entitled to receive such additional common shares.

(c) In total, additional common shares will be issued such that 99.5% of the common shares are held by the current holders of the existing 2016 Notes and 2014 Notes as described above. The remaining 0.5% of Catalyst's common shares (subject to dilution from common shares issued to holders of warrants) will be held by holders of the existing common shares, provided that the Proposed Arrangement is implemented under the CBCA.

58. In the event that the votes or approvals required to complete the Proposed Arrangement under the CBCA are not obtained, Catalyst has agreed to implement the recapitalization transaction pursuant to the *Companies' Creditors Arrangement Act*. In such case the shareholders of Catalyst would not receive anything in exchange for their common shares.

59. The New Notes will have substantially the same terms and conditions as Catalyst's existing 2016 Notes with certain exceptions including:

- (a) the maturity date of the New Notes will be the earlier of (i) six months after the end date of the new labour agreements and (ii) December 16, 2017, provided that the maturity date will never be earlier than December 16, 2016.
- (b) interest on the New Notes will be payable semi-annually in cash at an annual interest rate of 11% or, at the option of company, interest may be partially paid in kind, but if that option is taken for any semi-annual interest payment, interest for that payment will be calculated at an annual rate of 13% with 7.5% being paid in cash and 5.5% being paid in kind through the issuance of additional New Notes;
- (c) Catalyst will be able to issue up to an additional US\$75 million in principal amount of New Notes, subject to the consent of holders of 75% in principal

amount of New Notes if Catalyst's secured debt to EBITDA ratio, pro forma for the issuance of the additional New Notes, exceeds 3.0x; and

- (d) Catalyst will be able to repurchase the New Notes for 103% of their principal amount until December 15, 2013 and 100% thereafter.

60. Catalyst's Board of Directors, supported by a recommendation of an independent committee of the Board, is unanimously recommending that all 2014 Noteholders and 2016 Noteholders vote in support the Proposed Arrangement.

61. The Proposed Arrangement has support from certain of Catalyst's creditors who have been subject to confidentiality agreements. More specifically:

- (a) 2016 Noteholders holding approximately US\$208.1 million aggregate principal amount of outstanding Senior Secured Notes (representing more than 53.2% of the total outstanding Senior Secured Notes); and
- (b) 2014 Noteholders holding approximately US\$54.5 million aggregate principal amount of outstanding Senior Notes (representing more than 21.7% of the total outstanding Senior Notes),

have signed a Restructuring and Support Agreement and have agreed to vote in favour of and support the Proposed Arrangement (the "Consenting Noteholders").

62. The Consenting Noteholders have agreed, subject to termination in certain circumstances, not to take any action to enforce their rights under the 2014 Indenture or 2016 Indentures, including by accelerating the notes as a result of Catalyst's current non-payment of interest on the 2016 Notes.

63. If the Proposed Arrangement is approved, it is expected that Catalyst will be in position to pay its liabilities as they become due and the realizable value of its assets will not be less than the aggregate value of its liabilities and its stated capital.

64. It would not be practicable to proceed under the CBCA other than by way of an arrangement. In particular, the cancellation of the 2014 Notes and 2016 Notes in exchange of

new common shares of Catalyst and the share transfer and amalgamation of Echelon and CPPS are fundamental changes that cannot practicably be completed in any way other than by way of an arrangement.

**No Dissent Rights**

65. The Proposed Arrangement does not contemplate any dissent rights being provided to any party.

**2014 Noteholders' Meeting**

66. The Petitioners seek an Order authorizing Catalyst to call, hold and conduct a special meeting of the 2014 Noteholders at 9:00 a.m. (Vancouver time) on March 8, 2012 at Blake, Cassels & Graydon LLP, located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, or at such other time or place as Catalyst may set out in the Circular (the "2014 Noteholders' Meeting"), at which the 2014 Noteholders will be asked to, among other things:

- (a) consider, and if thought advisable, to pass, with or without variation, a resolution (the "2014 Noteholders' Arrangement Resolution") approving the Proposed Arrangement; and
- (b) transact such other business as may properly come before the 2014 Noteholders' Meeting or any adjournment thereof.

**2014 Noteholders' Record Date**

67. At a meeting of the Board of Directors, it was resolved that the record date for entitlement to notice of the 2014 Noteholders' Meeting and for entitlement to vote at the 2014 Noteholders' Meeting shall be February 1, 2012 (the "2014 Noteholders' Record Date").

**Notice of 2014 Noteholders' Meeting**

68. In connection with the 2014 Noteholders' Meeting, Catalyst intends to send to each 2014 Noteholder a copy of the Circular, form of proxy, Notice of Hearing of Final Application and a Notice of Meeting of 2014 Noteholders (the "2014 Noteholders' Meeting Materials") in a form to be approved by the Court.

**2014 Noteholders' Quorum and Voting**

69. The Petitioners propose that the quorum for the 2014 Noteholders' Meeting shall be two or more 2014 Noteholders entitled to vote, present in person or represented by proxy.

70. The Petitioners propose that the votes taken at the 2014 Noteholders' Meeting shall be taken on the basis of one vote for each \$1.00 principal amount of the amounts owing to the 2014 Noteholders on account of principal pursuant to and under the 2014 Notes as at the 2014 Noteholders' Record Date. Illegible ballots, spoiled ballots, defective ballots and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the 2014 Noteholders' Arrangement Resolution.

71. In order to be effective, the 2014 Noteholders' Arrangement Resolution must be passed at the 2014 Noteholders' Meeting by the affirmative vote of not less than 66% of the votes cast in respect of the 2014 Noteholders' Arrangement Resolution by the 2014 Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the 2014 Noteholders' Meeting.

**2014 Noteholders' Support Agreement**

72. 2014 Noteholders holding more than 21.7% of the value of the Existing Notes (approximately US\$54.5 million aggregate principal amount), have signed a Restructuring and Support Agreement and have agreed to support the Proposed Arrangement and vote in favour of the 2014 Noteholders' Arrangement Resolution at the 2014 Noteholders' Meeting. Catalyst intends to continue to solicit additional support for the Proposed Arrangement.

**Solicitation of 2014 Noteholders' Proxies**

73. Catalyst proposes to use, and to permit the use by 2014 Noteholders, a form of proxy in connection with the 2014 Noteholders' Meeting, and it will seek approval of the form of proxy from this Court. Catalyst is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

74. Any proxy to be used at the 2014 Noteholders' Meeting must be received by CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail prior to 9:00 a.m. (Vancouver Time) on March 6, 2012. Notwithstanding the foregoing, Catalyst may waive, but has no obligation to do so, the time limit for the deposit of proxies by the 2014 Noteholders if Catalyst deems it advisable to do so.

75. Any 2014 Noteholder will be entitled to revoke a proxy given at any time prior to the exercise thereof at the 2014 Noteholders' Meeting by:

- (a) depositing an instrument in writing executed by such 2014 Noteholder or by an attorney authorized in writing, or, if the 2014 Noteholder is a corporation, by a duly authorized officer or attorney thereof, at CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail at any time up to and including the last Business Day preceding the 2014 Noteholders' Meeting, or with the

Secretary of the 2014 Noteholders' Meeting on the day of the applicable 2014 Noteholders' Meeting or any adjournment thereof; or

- (b) in any other manner permitted by law.

**2016 Noteholders' Meeting**

76. The Petitioners seek an Order authorizing Catalyst to call, hold and conduct a special meeting of the 2016 Noteholders issued pursuant to the 2016 Indentures at 9:30 a.m. (Vancouver time) on March 8, 2012, at Suite 2600, 595 Burrard Street, Vancouver, British Columbia , or at such other time or place as Catalyst may set out in the Circular (the "2016 Noteholders' Meeting"), at which the 2016 Noteholders will be asked to, among other things:

- (a) consider, and if thought advisable, to pass, with or without variation, a resolution (the "2016 Noteholders' Arrangement Resolution") approving the Proposed Arrangement pursuant to Section 192 of the CBCA and as will be more particularly described in the Circular to be approved by the Court; and
- (b) transact such other business as may properly come before the 2016 Noteholders' Meeting or any adjournment thereof.

**2016 Noteholders' Record Date**

77. At a meeting of the Board of Directors, it was resolved that the record date for entitlement to notice of the 2016 Noteholders' Meeting and for entitlement to vote at the 2016 Noteholders' Meeting shall be February 1, 2012 (the "2016 Noteholders' Record Date").

**Notice of 2016 Noteholders' Meeting**

78. In connection with the 2016 Noteholders' Meeting, Catalyst intends to send to each 2016 Noteholder a copy of the Circular, form of proxy, Notice of Hearing of Final Application and a Notice of Meeting of 2016 Noteholders (the "2016 Noteholders' Meeting Materials") in a form to be approved by the Court.

**2016 Noteholders' Support Agreement**

79. 2016 Noteholders holding approximately 53.2% of the value of the Existing Notes (approximately US\$208.1 million aggregate principal amount), have signed a Restructuring Support Agreement and have agreed to support the Proposed Arrangement and vote in favour of the 2016 Noteholders' Arrangement Resolution at the 2016 Noteholders' Meeting. Catalyst intends to continue to solicit additional support for the Proposed Arrangement.

**2016 Noteholders' Quorum and Voting**

80. The Petitioners propose that the quorum for the 2016 Noteholders' Meeting shall be two or more 2016 Noteholders entitled to vote, present in person or represented by proxy.

81. The Petitioners propose that the votes taken at the 2016 Noteholders' Meeting shall be taken on the basis of one vote for each \$1.00 principal amount of the amounts owing to the 2016 Noteholders on account of principal pursuant to and under the 2016 Notes as at the 2016 Noteholders' Record Date. Illegible ballots, spoiled ballots, defective ballots and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the 2016 Noteholders' Arrangement Resolution.

82. In order to be effective, the 2016 Noteholders' Arrangement Resolution must be passed at the 2016 Noteholders' Meeting by the affirmative vote of not less than 66⅔% of the votes cast in respect of the 2016 Noteholders' Arrangement Resolution by the 2016 Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the 2016 Noteholders' Meeting.

**Solicitation of 2016 Noteholders' Proxies**

83. Catalyst proposes to use, and to permit the use by 2016 Noteholders, a form of proxy in connection with the 2016 Noteholders' Meeting, and it will seek approval of the form of proxy from this Court. Catalyst is further seeking authorization, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or

representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

84. Any proxy to be used at the 2016 Noteholders' Meeting must be received by CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail prior to 9:30 a.m. (Vancouver Time) on March 6, 2012. Notwithstanding the foregoing, Catalyst may waive, but has no obligation to do so, the time limit for the deposit of proxies by 2016 Noteholders if Catalyst deems it advisable to do so.

85. Any 2016 Noteholder will be entitled to revoke a proxy given at any time prior to the exercise thereof at the 2016 Noteholders' Meeting by:

- (a) depositing an instrument in writing executed by such 2016 Noteholder or by an attorney authorized in writing, or, if the 2016 Noteholder is a corporation, by a duly authorized officer or attorney thereof, at CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail at any time up to and including the last Business Day preceding the 2016 Noteholders' Meeting, or with the Secretary of the 2016 Noteholders' Meeting on the day of the applicable 2016 Noteholders' Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

**Fairness of the Arrangement**

86. The Board of Directors of Catalyst appointed an independent committee, chaired by Dallas H. Ross (the "Independent Committee"), to consider and advise the Board of Directors on the Arrangement.

87. The Independent Committee and the Board of Directors, after consultation with its professional advisors unanimously determined that the Proposed Arrangement and all other transactions contemplated by it are in the best interests of Catalyst and unanimously recommend

that the Noteholders vote in favour of the 2014 Noteholders' Arrangement Resolution and the 2016 Noteholders' Arrangement Resolution.

88. Catalyst intends to seek an opinion as to the fairness of the Proposed Arrangement to be included in the Circular.

89. The completion of the Proposed Arrangement is subject to various conditions, including approval by the Noteholders in accordance with the terms of the Interim Order and approval by the Court and TSX.

**United States Securities Laws**

90. Among other possible exemptions, Section 3(a)(10) of the United States *Securities Act of 1933*, as amended (the "1933 Act"), provides an exemption from the registration requirements of that statute for the issue of securities in exchange for other outstanding securities where the terms and conditions of the issue and exchange are approved by a court of competent jurisdiction after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue such securities shall have the right to appear.

91. In order to ensure securities issued or made issuable to certain Noteholders and Shareholders (collectively, "Securityholders") pursuant to the Arrangement will be exempt from the registration requirements of the 1933 Act pursuant to Section 3(a)(10) of the 1933 Act, it is necessary that:

- (a) the Court is advised of the intention of the parties to rely on Section 3(a)(10) prior to the hearing required to approve the Arrangement;
- (b) the Interim Order of the Court approving the relevant meeting or meetings to approve the Arrangement specifies that each Securityholder will have the right to appear before the Court so long as the Securityholder enters an appearance within a reasonable time;
- (c) all Securityholders are given adequate notice advising them of their rights to attend the hearing of the Court to approve the Arrangement and providing them

with sufficient information necessary for them to exercise that right, and there are no improper impediments to the appearance by those persons at the hearing;

- (d) the Court is required to satisfy itself as to the fairness of the Arrangement to the Securityholders;
- (e) the Court has determined, prior to approving the final order, that the terms and conditions of the exchanges of securities comprising the Arrangement are fair to the Securityholders; and
- (f) the order of the Court approving the Arrangement expressly states that the Arrangement is approved by the Court as being fair to the Shareholders and Noteholders.

92. Catalyst has Shareholders and Noteholders in the United States of America. Since the completion of the Arrangement involves issuances of securities to Shareholders and Noteholders in the United States of America, the Petitioners hereby give notice to the Court of their intention to rely on, among other things, Section 3(a)(10) of the 1933 Act based on the Court's approval of the Arrangement.

93. Counsel for the Petitioners has advised the Shareholders and Noteholders in the United States of America to whom securities will be issued or made issuable under the Arrangement that they shall receive such securities in reliance on the exemption from the registration requirements of the 1933 Act, contained in Section 3(a)(10) thereof based on the Court's approval of the Arrangement.

94. Further, by proceeding by way of statutory plan of arrangement under Section 192 of the CBCA, the Final order may constitute the basis for an exemption from the prospectus and registration requirements of provincial securities legislation.

#### **Stay of Proceedings**

95. Although certain Noteholders have executed support agreements agreeing to forbear, not all 2016 Noteholders have done so. The Petitioners require the protection of a stay of

proceedings to allow time for the Proposed Arrangement to be processed without fear of realization proceedings under any note indenture.

96. Over the past several weeks Catalyst has been under increasing pressure from its suppliers and certain of them have threatened to terminate agreements with Catalyst and the Impleaded Parties unless Catalyst accelerated payment terms. Catalyst has agreed to do so in respect to a number of its suppliers and is current with respect to its payment obligations with these and other suppliers. Catalyst intends to continue to conduct its business in the ordinary course during these proceedings. In order to avoid potential harm to Catalyst, the Impleaded Parties and other stakeholders and to preserve the status quo pending consideration of the Proposed Arrangement Catalyst requires the protection offered by the stay of proceedings order requested herein.

97. The Petitioners seek an order that no person including, without limitation, any Noteholder or any Trustee that is a party to the 2014 Indenture or the 2016 Indentures, shall have any rights to terminate, accelerate, amend or declare in default any contract or other agreement, including, without limitation, the Indentures, to which any of the Petitioners or the Impleaded Parties are a party, due to the Petitioners or Impleaded Parties having made an Application to this Court pursuant to Section 192 of the *CBCA* being a party to, or subject to, this Proceeding, or having failed to make any interest or other payments during the period prior to such time as within the Proposed Arrangement is approved by the Court and implemented by the Petitioners, other than obligations owing under the Asset-Based Lending Facility provided by J.P. Morgan Chase Bank N.A., J.P. Morgan Securities LLC and CIBC Asset Based Lending Inc. (the "ABL Facility").

#### **Foreign Proceedings**

98. The Petitioners respectfully seek and request the aid and recognition of any court or any judicial, regulatory or administrative body constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States of America (including, without limitation, in the United States Bankruptcy Court), to act in aid of and to assist this Court in carrying out the terms of this Interim Order where required, and to grant representative status to Catalyst on behalf of any or all of the Petitioners and the Impleaded Parties, in any foreign proceeding.

99. Catalyst is seeking a further order that it shall be authorized and empowered, but not required to (i) apply as they may consider necessary or desirable, with or without notice, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize the Interim Order and/or to assist in carrying out the terms of the Interim Order and any subsequent orders of this Court including, without limitation to the foregoing, any relief under Chapter 15 of the U.S. Bankruptcy Code (the "Chapter 15 Relief"), and (ii) act as a representative in respect of these proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada, including, without limitation, acting as a foreign representative of Catalyst and any or all of the Petitioners and the Impleaded Parties in connection with any Chapter 15 Relief.

100. In connection with the Chapter 15 Relief, Catalyst seeks a declaration that British Columbia is the Centre of Main Interest of the Petitioners and the Impleaded Parties.

**Part 3: LEGAL BASIS**

101. Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44.

102. Rules, 6-2, 8-1 and 16-1 of the *Supreme Court Civil Rules*.

103. The equitable and inherent jurisdiction of this Honourable Court.

**Part 4: MATERIALS TO BE RELIED ON**

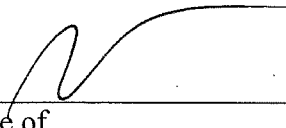
104. Affidavit #1 of Brian Baarda, sworn on January 17, 2012

105. Affidavit #2 of Brian Baarda to be sworn; and

106. Such further and other material as counsel may advise and this Honourable Court may allow.

The Petitioners estimates that the hearing of the Petition will take 60 minutes.

Date: 17/Jan/2012

  
 \_\_\_\_\_  
 Signature of  
 Petitioner  lawyer for Petitioners  
 Bill Kaplan, Q.C.

***To be completed by the court only:***

Order made

in the terms requested in paragraphs ..... of Part 1 of  
this petition

with the following variations and additional terms:

.....  
.....  
.....

Date: ....[dd/mmm/yyyy].....

.....  
Signature of  Judge  Master

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF SECTION 192 OF THE  
*CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, C. C-44, AS  
AMENDED**

**AND**

**IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
CATALYST PAPER CORPORATION AND ECHELON PAPER CORPORATION**

**CATALYST PAPER CORPORATION  
ECHELON PAPER CORPORATION**

PETITIONERS

**ORDER MADE AFTER APPLICATION**

**INTERIM ORDER**

BEFORE ) TUESDAY THE 17<sup>th</sup> DAY  
)  
) OF JANUARY, 2012

**ON THE APPLICATION** of the Petitioner, Catalyst Paper Corporation ("Catalyst") and the Petitioner Echelon Paper Corporation ("Echelon"), for an Interim Order pursuant to the Petition filed on January 17, 2012 coming on for hearing at Vancouver, British Columbia, on the 17<sup>th</sup> day of January, 2012, AND ON HEARING, Bill Kaplan, Q.C. and Sean K. Boyle counsel for Catalyst and Echelon AND ON being advised of the conditional letter of non-appearance delivered by the Director appointed under section 260 of the *Canada Business Corporations Act*, AND UPON READING the Petition herein and the Affidavit of Brian Baarda sworn on January 17, 2012 (the "Catalyst Affidavit") and filed herein:

**THIS COURT ORDERS AND DECLARES THAT:****2014 NOTEHOLDERS' MEETING**

1. In accordance with the provisions and requirements of the RSA (as defined below), Catalyst shall call, hold and conduct a special meeting of the holders of 7 3/8% senior notes (the "2014 Notes") due March 1, 2014 (the "2014 Noteholders") issued pursuant to the indenture dated March 23, 2004 (the "2014 Indenture") at 9:00 a.m. (Vancouver time) on March 8, 2012 at Blake, Cassels & Graydon LLP, located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, or at such other time or place as Catalyst may set out in the Management Information Circular ("Circular") of Catalyst (the "2014 Noteholders' Meeting"), at which the 2014 Noteholders will be asked to, among other things:

- (a) consider, and if thought advisable, to pass, with or without variation, a resolution (the "2014 Noteholders' Arrangement Resolution") approving an arrangement pursuant to Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "Proposed Arrangement") as proposed in the Term Sheet attached as Exhibit "D" to the Catalyst Affidavit (the "Proposed Arrangement Term Sheet"), as contemplated by the Restructuring and Support Agreement attached as Exhibit "E" to the Catalyst Affidavit (the "RSA") and as will be more particularly described in the Circular to be approved by the Court; and
- (b) transact such other business as may properly come before the 2014 Noteholders' Meeting or any adjournment thereof.

**2014 NOTEHOLDERS' RECORD DATE**

2. The record date for entitlement to notice of the 2014 Noteholders' Meeting and for entitlement to vote at the 2014 Noteholders' Meeting shall be February 1, 2012 (the "2014 Noteholders' Record Date"), as previously approved by the Board of Directors of Catalyst.

**NOTICE OF 2014 NOTEHOLDERS' MEETING**

3. The Circular, form of proxy, Notice of Hearing of Final Application and a Notice of Meeting of 2014 Noteholders (the "2014 Noteholders' Meeting Materials") in a form to be approved by the Court, shall be sent to:

- (a) the 2014 Noteholders as they appear on the applicable securities register of Catalyst as at the 2014 Noteholders' Record Date, at least twenty-one (21) days prior to the date of the 2014 Noteholders' Meeting, by one or more of the following methods:
- (i) by prepaid ordinary or first class mail addressed to the 2014 Noteholder at his, her or its address as it appears on the applicable securities register of Catalyst as at the 2014 Noteholders' Record Date;
  - (ii) by delivery in person, or by delivery to the addresses specified in subparagraph (i) above; or
  - (iii) by email or facsimile transmission to any 2014 Noteholder who identifies himself, herself or itself to the satisfaction of Catalyst, acting through its representatives, who requests such email or facsimile transmission; and
- (b) in the case of non-registered 2014 Noteholders, by providing copies of the 2014 Noteholders' Meeting Materials to intermediaries and registered nominees for sending to both non-objecting beneficial owners and objecting beneficial owners in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators at least three (3) Business Days prior to the twenty-first (21<sup>st</sup>) day prior to the date of the 2014 Noteholders' Meeting;

and substantial compliance with this paragraph shall constitute good and sufficient notice of the 2014 Noteholders' Meeting.

4. Accidental failure of or omission by Catalyst to give notice to any one or more of the 2014 Noteholders or the non-receipt of such notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Catalyst (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order, or in relation to notice to the 2014 Noteholders, a defect in the calling of the 2014 Noteholders' Meeting, and shall not invalidate any resolution passed or proceedings taken at the 2014 Noteholders' Meeting, but if any such failure or omission is brought to the attention of Catalyst,

then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE BY 2014 NOTEHOLDERS**

5. The 2014 Noteholders' Meeting Materials shall be deemed, for the purposes of this Order, to have been received by the 2014 Noteholders:

- (a) in the case of mailing, when deposited in a post office or public letter box;
- (b) in the case of delivery in person, upon personal delivery or upon delivery to the 2014 Noteholders' address as it appears on the applicable securities register of Catalyst as at the 2014 Noteholders' Record Date; and

in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

6. In the event that amendments, revisions or supplements ("Additional Information") are made to the 2014 Noteholders' Meeting Materials following the mailing in accordance with a further order of this Court, Catalyst shall distribute such Additional Information by press release.

#### **PERMITTED ATTENDEES AT 2014 NOTEHOLDERS' MEETING**

7. The only persons entitled to attend the 2014 Noteholders' Meeting shall be the 2014 Noteholders as of the 2014 Noteholders' Record Date or their respective proxyholders; Initial Supporting Unsecured Noteholders as defined in the RSA and their respective financial and legal advisors; the members of the Steering Group as defined in the RSA and their respective financial and legal advisors; Catalyst's directors, officers, auditors and their respective financial and legal advisors; and any other person admitted on the invitation of the Chair or with the consent of the 2014 Noteholders' Meeting. The only persons entitled to be represented and to vote at the 2014 Noteholders' Meeting shall be the 2014 Noteholders as at the close of business on the 2014 Noteholders' Record Date, or their respective proxyholders.

**2014 NOTEHOLDERS' QUORUM AND VOTING**

8. The quorum for the 2014 Noteholders' Meeting shall be two or more 2014 Noteholders entitled to vote, present in person or represented by proxy.

9. The votes taken at the 2014 Noteholders' Meeting shall be taken on the basis of one vote for each \$1.00 principal amount of the amounts owing to the 2014 Noteholders on account of principal pursuant to and under the 2014 Notes as at the 2014 Noteholders' Record Date. Illegible ballots, spoiled ballots, defective ballots and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the 2014 Noteholders' Arrangement Resolution.

10. The 2014 Noteholders' Arrangement Resolution must be passed at the 2014 Noteholders' Meeting by the affirmative vote of not less than 66% of the votes cast in respect of the 2014 Noteholders' Arrangement Resolution by the 2014 Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the 2014 Noteholders' Meeting.

**SOLICITATION OF 2014 NOTEHOLDERS' PROXIES**

11. Catalyst is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

12. Any proxy to be used at the 2014 Noteholders' Meeting must be received by CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail prior to 9:00 a.m. (Vancouver Time) on March 6, 2012. Notwithstanding the foregoing, Catalyst may waive, but has no obligation to do so, the time limit for the deposit of proxies by the 2014 Noteholders if Catalyst deems it advisable to do so.

13. Any 2014 Noteholder will be entitled to revoke a proxy given at any time prior to the exercise thereof at the 2014 Noteholders' Meeting by:

- (a) depositing an instrument in writing executed by such 2014 Noteholder or by an attorney authorized in writing, or, if the 2014 Noteholder is a corporation, by a duly authorized officer or attorney thereof, at CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail at any time up to and including the last business day preceding the 2014 Noteholders' Meeting, or with the Secretary of the 2014 Noteholders' Meeting on the day of the applicable 2014 Noteholders' Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

#### **2016 NOTEHOLDERS' MEETING**

14. In accordance with the provisions and requirements of the RSA, Catalyst shall call, and hold and conduct a special meeting of the holders of 11% senior secured notes and Class B 11% senior secured notes (collectively, the "2016 Notes") due December 15, 2016 (the "2016 Noteholders") issued pursuant to the indentures dated March 10, 2010 and May 19, 2010 (the "2016 Indentures") at 9:30 a.m. (Vancouver time) on March 8, 2012 at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, or at such other time or place as Catalyst may set out in the Circular (the "2016 Noteholders' Meeting"), at which the 2016 Noteholders will be asked to, among other things:

- (a) consider, and if thought advisable, to pass, with or without variation, a resolution (the "2016 Noteholders' Arrangement Resolution") approving the Proposed Arrangement pursuant to Section 192 of the CBCA and as will be more particularly described in the Circular to be approved by the Court; and
- (b) transact such other business as may properly come before the 2016 Noteholders' Meeting or any adjournment thereof.

#### **2016 NOTEHOLDERS' RECORD DATE**

15. The record date for entitlement to notice of the 2016 Noteholders' Meeting and for entitlement to vote at the Noteholders' Meeting shall be February 1, 2012 (the "2016 Noteholders' Record Date"), as previously approved by the Board of Directors of Catalyst.

**NOTICE OF 2016 NOTEHOLDERS' MEETING**

16. The Circular, form of proxy, Notice of Hearing of Final Application and a Notice of Meeting of 2016 Noteholders (the "2016 Noteholders' Meeting Materials") in a form to be approved by the Court, shall be sent to:

- (a) the 2016 Noteholders as they appear on the applicable securities register of Catalyst as at the 2016 Noteholders' Record Date, at least twenty-one (21) days prior to the date of the 2016 Noteholders' Meeting, by one or more of the following methods:
  - (i) by prepaid ordinary or first class mail addressed to the 2016 Noteholder at his, her or its address as it appears on the applicable securities register of Catalyst as at the 2016 Noteholders' Record Date;
  - (ii) by delivery in person, or by delivery to the addresses specified in subparagraph (i) above; or
  - (iii) by email or facsimile transmission to any 2016 Noteholder who identifies himself, herself or itself to the satisfaction of Catalyst, acting through its representatives, who requests such email or facsimile transmission; and
- (b) in the case of non-registered 2016 Noteholders, by providing copies of the 2016 Noteholders' Meeting Materials to intermediaries and registered nominees for sending to both non-objecting beneficial owners and objecting beneficial owners in accordance with National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators at least three (3) Business Days prior to the twenty-first (21<sup>st</sup>) day prior to the date of the 2016 Noteholders' Meeting.

and substantial compliance with this paragraph shall constitute good and sufficient notice of the 2016 Noteholders' Meeting.

17. Accidental failure of or omission by Catalyst to give notice to any one or more of the 2016 Noteholders or the non-receipt of such notice, or any failure or omission to give such

notice as a result of events beyond the reasonable control of Catalyst (including, without limitation, any inability to use postal services) shall not constitute a breach of this Interim Order, or in relation to notice to 2016 Noteholders, a defect in the calling of the 2016 Noteholders' Meeting, and shall not invalidate any resolution passed or proceedings taken at the 2016 Noteholders' Meeting, but if any such failure or omission is brought to the attention of Catalyst, then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE**

18. The 2016 Noteholders' Meeting Materials shall be deemed, for the purposes of this Order, to have been received by the 2016 Noteholders:

- (a) in the case of mailing, when deposited in a post office or public letter box;
- (b) in the case of delivery in person, upon personal delivery or upon delivery to the 2016 Noteholders' address as it appears on the applicable securities register of Catalyst as at the 2016 Noteholders' Record Date; and

in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

19. In the event that amendments, revisions or supplements ("Supplemental Information") are made to the 2016 Noteholders' Meeting Materials following the mailing in accordance with a further order of this Court, Catalyst shall distribute such Supplemental Information by press release.

#### **PERMITTED ATTENDEES AT 2016 NOTEHOLDERS' MEETING**

20. The only persons entitled to attend the 2016 Noteholders' Meeting shall be the 2016 Noteholders as of the 2016 Noteholders' Record Date or their respective proxyholders; the members of the Steering Group and their respective financial and legal advisors; the Initial Supporting Unsecured Noteholders and their respective financial and legal advisors; Catalyst's directors, officers, auditors and their respective financial and legal advisors; and any other person admitted on the invitation of the Chair or with the consent of the 2016 Noteholders present or

represented at the 2016 Noteholders' Meeting. The only persons entitled to be represented and to vote at the 2016 Noteholders' Meeting shall be the 2016 Noteholders as at the close of business on the 2016 Noteholders' Record Date, or their respective proxyholders.

### **2016 NOTEHOLDERS' QUORUM AND VOTING**

21. The quorum for the 2016 Noteholders' Meeting shall be two or more 2016 Noteholders entitled to vote, present in person or represented by proxy.

22. The votes taken at the 2016 Noteholders' Meeting shall be taken on the basis of one vote for each \$1.00 principal amount of the amounts owing to the 2016 Noteholders on account of principal pursuant to and under the 2016 Notes as at the 2016 Noteholders' Record Date. Illegible ballots, spoiled ballots, defective ballots and abstentions shall be deemed not to be votes cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the 2016 Noteholders' Arrangement Resolution.

23. The 2016 Noteholders' Arrangement Resolution must be passed at the 2016 Noteholders' Meeting by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast in respect of the 2016 Noteholders' Arrangement Resolution by the 2016 Noteholders, voting together as a single class, present in person or represented by proxy and who are entitled to vote at the 2016 Noteholders' Meeting.

### **SOLICITATION OF 2016 NOTEHOLDERS' PROXIES**

24. Catalyst is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

25. Any proxy to be used at the 2016 Noteholders' Meeting must be received by CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail prior to 9:30 a.m. (Vancouver Time) on March 6, 2012. Notwithstanding the foregoing, Catalyst may waive, but has no obligation to do so, the time limit for the deposit of proxies by 2016 Noteholders if Catalyst deems it advisable to do so.

26. Any 2016 Noteholder will be entitled to revoke a proxy given at any time prior to the exercise thereof at the 2016 Noteholders' Meeting by:

- (a) depositing an instrument in writing executed by such 2016 Noteholder or by an attorney authorized in writing, or, if the 2016 Noteholder is a corporation, by a duly authorized officer or attorney thereof, at CIBC Mellon Trust Company (Attention: Proxy Department) at PO Box 721, Agincourt, Ontario, Canada M1S 0A1 by courier, facsimile to 416-368-2502 or mail at any time up to and including the last business day preceding the 2016 Noteholders' Meeting, or with the Secretary of the 2016 Noteholders' Meeting on the day of the applicable 2016 Noteholders' Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

#### **COMPLIANCE WITH CBCA**

27. The 2014 Noteholders' Meeting and the 2016 Noteholders' Meeting (collectively, the "Noteholders' Meetings") shall be held and conducted in accordance with the CBCA, the RSA, the Circular and the articles and by-laws of Catalyst, subject to the terms of this Interim Order, and any further Order of this Court, and the rulings and directions of the respective Chair of the Noteholders' Meetings, such rulings and directions not to be inconsistent with this Interim Order and to the extent of any inconsistency or discrepancy, this Interim Order shall govern or, if not specified in the Interim Order, the Circular shall govern.

28. The calling, holding and conduct of the Noteholders' Meetings as contemplated in this Interim Order shall constitute compliance by Catalyst with the provisions of the CBCA relating to the calling, holding and conduct of the Noteholders' Meetings and such notice shall be sufficient for the purposes of approval of the Proposed Arrangement by the 2014 Noteholders and 2016 Noteholders (collectively, the "Noteholders") and no further notice need be given to the Noteholders for the purposes of considering the 2014 Noteholders' Arrangement Resolution or the 2016 Noteholders' Arrangement Resolution.

29. In all other respects, the terms, restrictions and conditions of the articles and by-laws of Catalyst will apply in respect of the Noteholders' Meetings.

**ADJOURNMENT**

30. Catalyst, if it deems advisable, is specifically authorized to adjourn or postpone the Noteholders' Meetings on one or more occasions, without the necessity of first convening the Noteholders' Meetings or first obtaining any vote of the Noteholders, as applicable, respecting the adjournment or postponement and without the need for approval of the Court, provided however, that any such adjournment shall not exceed the applicable timeframes set forth in the RSA. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to the Noteholders, as appropriate, by one of the methods specified in paragraphs 3 and 16 of this Interim Order.

31. The Initial Supporting Unsecured Noteholders or the Initial Supporting Noteholders, or their proxyholders or respective legal advisors, as applicable, are specifically authorized to, if they deem advisable, adjourn or postpone, in the case of the Initial Supporting Unsecured Noteholders, the 2014 Noteholders' Meeting or in the case of the Initial Supporting Noteholders, the 2016 Noteholders' Meeting, as applicable, on one or more occasions, without the necessity of first convening the applicable Noteholders' Meeting and without the need for approval of the Court, provided however, that any such adjournment shall not exceed the applicable timeframes set forth in the RSA. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to Catalyst and the Noteholders, as appropriate, by one of the methods specified in paragraphs 3 and 16 of this Interim Order.

32. The 2014 Noteholders' Record Date and 2016 Noteholders' Record Date shall not change in respect of adjournments or postponements of either of the Noteholders' Meetings.

**SCRUTINEERS**

33. A representative of Catalyst's registrar and transfer agent (or any agent thereof) is authorized to act as scrutineer for the Noteholders' Meetings.

**STAY OF PROCEEDINGS**

34. No person including, without limitation, any Noteholder or any Trustee that is a party to the 2014 Indenture or the 2016 Indentures, shall have any rights to terminate, accelerate, amend

or declare in default any contract or other agreement, including, without limitation, the Indentures, to which any of the Petitioners or the Impleaded Parties are a party, due to the Petitioners or Impleaded Parties having made an Application to this Court pursuant to Section 192 of the *CBCA* being a party to, or subject to, this Proceeding, or having failed to make any interest or other payments during the period prior to such time as within the Proposed Arrangement is approved by the Court and implemented by the Petitioners, other than obligations owing under the Asset-Based Lending Facility provided by J.P. Morgan Chase Bank N.A., J.P. Morgan Securities LLC and CIBC Asset Based Lending Inc. (the "ABL Facility").

35. Any interested party may apply to this Court for relief from paragraph 33 of this Order on not less than five (5) days' notice to the Petitioners, all parties who have filed a response and to any other party or parties likely to be affected by the Order sought or upon such other notice, if any, as this Court may order.

36. Catalyst shall in all respects comply with the RSA and its various obligations thereunder and nothing in this Order shall be construed as waiving or modifying any of the rights, commitments or obligations of Catalyst and the Initial Supporting Noteholders under the RSA. Without limiting the foregoing and for greater certainty, the Stay of Proceedings referred to in paragraph 33 herein shall no longer apply to the Initial Supporting Noteholders or either Trustee under the 2014 Notes or the 2016 Notes in the event of a breach by Catalyst, or the termination, of the RSA.

### **FEBRUARY 3, 2012 HEARING**

37. A hearing be held on February 3, 2012 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or at such other date and time as this Court may direct (the "February 3<sup>rd</sup> Hearing"). At the February 3<sup>rd</sup> Hearing the Petitioners shall be permitted to apply to this Court for the following orders and declarations:

- (a) An order that the Circular be deemed to represent sufficient and adequate disclosure, including for the purpose of section 192 of the *CBCA*, and Catalyst shall not be required to send to the 2014 Noteholders or 2016 Noteholders any other or additional statement pursuant to section 192 of the *CBCA*;

- (b) An order approving a form of proxy that Catalyst is authorized to use in connection with the Noteholders' Meetings;
- (c) An order approving January 27, 2012, or such other date as disclosed by Catalyst in a press release, as the early consent date ("Early Consent Date") for the purposes of the Proposed Arrangement and consideration allocated thereunder;
- (d) A declaration that a vote of the holders of common shares ("Common Shares") in the capital of Catalyst ("Shareholders") is not required for court approval of the Proposed Arrangement pursuant to section 192(4)(e) of the CBCA; and
- (e) Such further and other relief as counsel for the Petitioners may advise and this Court may deem just.

38. On or before January 20, 2012, the Petitioners shall:

- (a) post the Petition, the Catalyst Affidavit, this Interim Order, the Proposed Arrangement Term Sheet, the Notice of February 3, 2012 Hearing and the Notice of Hearing of Final Application (collectively, the "Notice Documents") on Catalyst's website, publically available at [www.catalystpaper.com](http://www.catalystpaper.com);
- (b) file the Notice Documents on the System for Electronic Document Analysis and Retrieval more commonly known as SEDAR on Catalyst's profile, publicly available on the internet at [www.sedar.com](http://www.sedar.com);
- (c) issue a press release identifying the orders and declarations that will be sought at the February 3, 2012 Hearing and directing Shareholders and other interested persons to the above websites where the Notice Documents may be viewed or obtained;
- (d) deliver the Notice Documents to Third Avenue Management Ltd.; and
- (e) cause to be published in The Globe and Mail the information contained in the Notice of February 3, 2012 Hearing.

(collectively, the "Substituted Service Steps")

39. The Petitioner shall deliver a copy of the Notice Documents to any Shareholder, Noteholder or interested person who requests a copy.

40. Catalyst's compliance with the Substituted Service Steps shall constitute good and sufficient service upon all interested persons including the 2014 Noteholders, 2016 Noteholders and the Shareholders of the Notice of February 3, 2012 Hearing and this Interim Order and no other form of service need be made and no other material need be served on such persons. In particular, service of the Petition herein and the accompanying Catalyst Affidavit and additional Affidavits as may be filed, is dispensed with.

41. Any Shareholder seeking to appear at the February 3, 2012 Hearing shall:

- (a) file a Response to Petition, in the form prescribed by the *Supreme Court Civil Rules*, with this Court; and
- (b) deliver the filed Response to Petition to the Petitioners' solicitors at the following address:

BLAKE, CASSELS & GRAYDON LLP  
Suite 2600, Three Bentall Centre  
595 Burrard Street, P.O. Box 49314  
Vancouver, B.C. V7X 1L3

Attention: Bill Kaplan, Q.C. and Sean K. Boyle

by or before 4:00 p.m. (Vancouver time) on January 30, 2012,

with copies to:

Akin Gump Strauss Hauer & Feld LLP  
One Bryant Park  
New York, NY 10036  
Attention: Michael S. Stamer, Esq. and Meredith Lahaie  
E-mail addresses: [mstamer@akingump.com](mailto:mstamer@akingump.com) and [mlahaie@akingump.com](mailto:mlahaie@akingump.com)

and

Fraser Milner Casgrain LLP  
Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 0A1  
Attention: Ryan C. Jacobs, Esq. and John R. Sandrelli  
E-mail address: [ryan.jacobs@fmc-law.com](mailto:ryan.jacobs@fmc-law.com) and [john.sandrelli@fmc-law.com](mailto:john.sandrelli@fmc-law.com)

and

Goodmans LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7  
Attention: Robert Chadwick and Melaney Wagner  
E-mail address: [rchadwick@goodmans.ca](mailto:rchadwick@goodmans.ca) and [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca)

42. In the event the February 3<sup>rd</sup> Hearing is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Order need be served and provided with notice of further materials filed herein and the adjourned hearing date.

#### **APPLICATION FOR FINAL ORDER**

43. Upon the approval, with or without variation, by the Noteholders of the Proposed Arrangement, or if required by the Court, the Shareholders, in the manner set forth in this Interim Order or any further orders, the Petitioners shall be permitted to apply to this Court for an Order:

- (a) pursuant to CBCA Section 192(4)(e) approving the Proposed Arrangement;
- (b) pursuant to CBCA Section 192(4)(e) declaring that the terms and conditions of the Proposed Arrangement are fair and reasonable; and
- (c) for such further and other relief as counsel for the Petitioners may advise and this Court may deem just.

(collectively, the "Final Order")

and that the hearing of the Final Order will be held on March 13, 2012 at 9:45 a.m. (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

44. The form of Notice of Hearing of Final Application is hereby approved as the form of notice of proceedings for such approval. Any Noteholder or any other person affected by these proceedings has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order.

45. Any Noteholder, Shareholder or any other person affected by these proceedings seeking to appear at the hearing of the application for the Final Order shall:

- (a) file a Response to Petition, in the form prescribed by the *Supreme Court Civil Rules*, with this Court; and
- (b) deliver the filed Response to Petition to the Petitioners' solicitors at the following address:

BLAKE, CASSELS & GRAYDON LLP  
Suite 2600, Three Bentall Centre  
595 Burrard Street, P.O. Box 49314  
Vancouver, B.C. V7X 1L3

Attention: Bill Kaplan, Q.C. and Sean K. Boyle

by or before 4:00 p.m. (Vancouver time) on March 9, 2012,

with copies to:

Akin Gump Strauss Hauer & Feld LLP  
One Bryant Park  
New York, NY 10036  
Attention: Michael S. Stamer, Esq. and Meredith Lahaie  
E-mail addresses: [mstamer@akingump.com](mailto:mstamer@akingump.com) and [mlahaie@akingump.com](mailto:mlahaie@akingump.com)

and

Fraser Milner Casgrain LLP  
Royal Trust Tower  
77 King Street West  
Toronto, ON M5K 0A1  
Attention: Ryan C. Jacobs, Esq. and John R. Sandrelli  
E-mail address: [ryan.jacobs@fmc-law.com](mailto:ryan.jacobs@fmc-law.com) and [john.sandrelli@fmc-law.com](mailto:john.sandrelli@fmc-law.com)

and

Goodmans LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7  
Attention: Robert Chadwick and Melaney Wagner  
E-mail address: [rchadwick@goodmans.ca](mailto:rchadwick@goodmans.ca) and [mwagner@goodmans.ca](mailto:mwagner@goodmans.ca)

46. Sending the Notice of Hearing of Final Application and this Interim Order in accordance with paragraphs 3 and 16 of this Interim Order shall constitute good and sufficient service of the within proceedings and no other form of service need be made and no other material need be served on such persons in respect of these proceedings. In particular, service of the Petition herein and the accompanying Catalyst Affidavit and additional Affidavits as may be filed, is dispensed with other than complying with the Substituted Service Steps. Any Noteholder, Shareholder or other person affected by these proceedings who files and delivers to counsel for the Petitioners a Response to Petition herein, shall be entitled to receive, if so requested, documents filed in these proceedings after the date the Response to Petition is filed and delivered.

47. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Interim Order need be served and provided with notice of further materials filed herein and the adjourned hearing date.

#### **GENERAL**

48. Other than the Proposed Arrangement term sheet and the RSA, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the 2014 Notes or 2016 Notes or the articles or by-laws of Catalyst, this Interim Order shall govern.

49. The Petitioners respectfully seek and request the aid and recognition of any court or any judicial, regulatory or administrative body constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States of America (including, without limitation, in the United States Bankruptcy Court), to act in aid of and to assist this Court in carrying out the terms of this Interim Order where required, and to grant representative status to Catalyst on behalf of any or

all of the Petitioners and the Impleaded Parties listed herein at Schedule "A", in any foreign proceeding.

50. Subject to paragraph 35 of this Order and in a manner consistent with the RSA, Catalyst shall be authorized and empowered, but not required to (i) apply as they may consider necessary or desirable, with or without notice, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize the Interim Order and/or to assist in carrying out the terms of the Interim Order and any subsequent orders of this Court including, without limitation to the foregoing, any relief under Chapter 15 of the U.S. Bankruptcy Code (the "Chapter 15 Relief"), and (ii) act as a representative in respect of these proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada, including, without limitation, acting as a foreign representative of Catalyst and any or all of the Petitioners and the Impleaded Parties in connection with any Chapter 15 Relief.

51. British Columbia is the Centre of Main Interest of Catalyst and its subsidiaries, including, but not limited, to the Petitioners and Impleaded Parties.

52. Subject to paragraph 35 of this Order, the Petitioners shall be entitled, at any time, to apply to vary this Order.

53. Rule 8-1 of the *Supreme Court Civil Rules* will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

BY THE COURT

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Registrar

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS NOTED ABOVE:

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Solicitor for the Petitioners  
Bill Kaplan, Q.C.

**SCHEDULE "A"**

**LIST OF IMPEADED PARTIES**

Catalyst Pulp and Paper Sales Inc.

Catalyst Paper Energy Holdings Inc.

0606890 B.C. Ltd.

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

Elk Falls Pulp and Paper Limited

Pacifica Poplars Ltd.

Catalyst Paper Holdings Inc.

Catalyst Paper (USA) Inc.

Pacifica Poplars Inc.

Pacifica Papers Sales Inc.

Pacifica Papers U.S. Inc.

Catalyst Paper (Snowflake) Inc.

Catalyst Paper Recycling Inc.

The Apache Railway Company

Catalyst Paper General Partnership

## **SCHEDULE "B"**

### **LIST OF IMPEADED PARTIES**

Catalyst Pulp and Paper Sales Inc.

Catalyst Paper Energy Holdings Inc.

0606890 B.C. Ltd.

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

Elk Falls Pulp and Paper Limited

Pacifica Poplars Ltd.

Catalyst Paper Holdings Inc.

Catalyst Paper (USA) Inc.

Pacifica Poplars Inc.

Pacifica Papers Sales Inc.

Pacifica Papers U.S. Inc.

Catalyst Paper (Snowflake) Inc.

Catalyst Paper Recycling Inc.

The Apache Railway Company

Catalyst Paper General Partnership