

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

CATALYST PAPER CORPORATION, et al.<sup>1</sup>

Debtors in a foreign proceeding.

Chapter 15

Case No. 16-12419 (CSS)

(Joint Administration Requested)

**DECLARATION OF STEW GIBSON IN SUPPORT OF  
CHAPTER 15 PETITION AND FIRST DAY PLEADINGS**

I, Stew Gibson, declare as follows:

1. I am the Vice President of Sourcing and Technical Services at Catalyst Paper Corporation (“CPC” or “Catalyst”), the authorized foreign representative (the “Foreign Representative”) for itself and its affiliates (collectively, the “Debtors”) in the above-captioned chapter 15 cases. I have held this position since 2011. Prior to this position, I have had various leadership roles since joining the company in 1990, spanning project management and operations at the Debtors’ mills, and including the role of general manager at one of the Debtors’ mills from 2008 to 2011.

2. I submit this Declaration in support of the following motions and other documents submitted by Debtors (collectively, the “First Day Pleadings”): (a) the Verified Petition for Entry of an Order Recognizing Foreign Main Proceeding and Granting Additional Relief (the “Verified Petition”); (b) the Foreign Representative’s Motion for Entry of an Order Granting

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<sup>1</sup> The chapter 15 debtors incorporated in Canada and/or in the province of British Columbia (collectively, the “Canadian Debtors”), along with the last four digits of each Canadian Debtor’s Canadian business number, are: Catalyst Paper Corporation (1171); Catalyst Paper (6288); Catalyst Pulp Operations Limited (4565); Catalyst Pulp Sales Inc. (4021); Catalyst Pulp and Paper Sales Inc. (2085); and Pacifica Poplars Ltd. (6048). The chapter 15 debtors incorporated in the United States (collectively, the “U.S. Debtors”), along with the last four digits of each U.S. Debtor’s federal tax identification number, are: Catalyst Paper Holdings Inc. (7177); Catalyst Paper Operations Inc. (7105); Catalyst Paper (Snowflake) Inc. (7015); Catalyst Paper (USA) Inc. (6890); Pacifica Papers US Inc. (7595); Pacifica Papers Sales Inc. (7594); Pacifica Poplars Inc. (9597); and Catalyst Paper Recycling Inc. (8358). The Canadian Debtors and the U.S. Debtors are referred to herein, collectively, as the “Debtors”. The Debtors’ executive headquarters are located at: 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada.

Certain Provisional Relief (the “Provisional Relief Motion”); (c) the Foreign Representative’s Motion for an Order Directing the Joint Administration of the Debtors’ Chapter 15 Cases (the “Joint Administration Motion”); (d) the Foreign Representative’s Motion for Entry of an Order Authorizing the Filing of a Consolidated List of Foreign Proceeding Administrators, Litigation Parties, and Entities Against Whom 11 U.S.C. § 1519 Provisional Relief Is Sought (the “Consolidated Lists Motion”); and (e) the Foreign Representative’s Motion for Entry of an Order Scheduling the Recognition Hearing and Specifying the Form and Manner of Service (the “Notice Procedures Motion”). I am authorized by the Debtors to submit this Declaration on their behalf in support of the First Day Pleadings.

3. In my role as Vice President and through over 25 years working with the company, I have become familiar with the Debtors’ businesses, day-to-day operations, and financial affairs, and I have been closely involved in the Debtors’ refinancing and restructuring efforts to date. I am an individual over the age of 18 and, if called upon, could and would testify to the facts set forth in this Declaration. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge, information supplied to me by other members of the Debtors’ management and professionals, learned from my review of relevant documents, or my opinion based upon my experience and knowledge of the Debtors’ industry, operations, and financial condition.

## **BACKGROUND**

### **I. The CBCA Proceeding and Chapter 15 Filings**

4. On October 31, 2016, CPC filed and served notice of its petition for protection for it and certain of its affiliates (the “CBCA Proceeding”) under Canada’s *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) before the Supreme Court of British Columbia (the “Canadian Court”).

5. CPC and the other Debtors commenced the CBCA Proceeding to effect a restructuring transaction described in more detail below. As detailed in the *Declaration of Guy P. Martel in Support of Verified Petitions for Recognition and Chapter 15 Relief* (the “Martel Declaration”), the arrangement provisions of the CBCA allows CBCA companies to carry out a wide array of novel, complex or unique transactions by way of plan of arrangement. CBCA arrangement provisions have been used as a controlled reorganization procedure that enables financially distressed companies to restructure and/or compromise certain debt obligations in order to maximize the company’s value as a going concern for the benefit of creditors and other parties in interest. The CBCA includes provisions that permit arrangement that provides for the adjustment of debt under which companies may effect reorganizations. Through the CBCA Proceeding, the Debtors are proposing to implement the Recapitalization Transaction (as defined and described in more detail below) through a plan of arrangement (the “Recapitalization Plan”), consistent with the requirements of the CBCA. The Recapitalization Plan impacts only the Secured Note holders and equity holders, and is largely a consensual transaction.<sup>2</sup> The claims of all other creditors, including employees, trade vendors, contract counterparties and litigants, are unaffected by the Recapitalization Plan and CPC will continue to pay such creditors in the ordinary course. The object of the Recapitalization Plan is to improve the Debtors’ financial position and reduce their financial risks to allow them to establish a stable foundation and focus on this operational strategy for the upcoming years.

6. Pursuant to the CBCA, on October 31, 2016, the Canadian Court entered a preliminary interim order (the “Preliminary CBCA Order”) (i) authorizing the Debtors to apply for entry of an interim order permitting CPC to call, hold and conduct special meetings of the

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<sup>2</sup> The extensions of, and related amendments to, the ABL Facility and Term Loan (as defined below), which are required by the Recapitalization Plan, would be a condition of the transaction and completed on a fully consensual basis.

Noteholders (as defined below) and its equity holders to consider and vote upon the Recapitalization Plan, (ii) staying the continuation or commencement of any actions or proceedings against or in respect of the Debtors or any of the debtors' property and other assets, and (iii) authorizing CPC to act as the Foreign Representative for purposes of applying for recognition of the CBCA Proceeding in a jurisdiction outside of Canada. A true and correct copy of the Preliminary CBCA Order is attached hereto as Exhibit A.

7. As detailed in the Martel Declaration, in the CBCA Proceeding the Canadian Court establishes and supervises the arrangement approval process during the pendency of the CBCA Proceeding. Any party-in-interest seeking to object to the Recapitalization Plan may appeal to the Canadian Court. The Canadian Court, through the CBCA Proceeding, is properly exercising its jurisdiction over the Canadian Debtors and the U.S. Debtors, as provided under section 192 of the CBCA. Pursuant to the CBCA, the Canadian Court concluded in the Preliminary CBCA Order that the Canadian Debtors and U.S. Debtors are "party to [the CBCA] proceedings," and granted a stay for the protection of all of the Debtors and their assets. Preliminary CBCA Order ¶ 5-7.

8. On the date hereof (the "Petition Date"), the Foreign Representative commenced these chapter 15 cases (collectively, the "Chapter 15 Cases") by filing petitions (the "Chapter 15 Petitions") pursuant to section 1504 and 1515 of the chapter 15 of title 11 of the United States Code (the "Bankruptcy Code"). Contemporaneously herewith, the Foreign Representative has filed the Verified Petition seeking recognition of the CBCA Proceeding as a "foreign main proceeding" as defined in section 1502(4) and 1517(b)(1) of the Bankruptcy Code. The Foreign Representative commenced the Chapter 15 Cases for the purpose of obtaining the assistance of the United States Bankruptcy Court in giving effect in the United States to the CBCA Proceeding

and the Canadian Orders (defined below) and to assist the Canadian Court in connection with the restructuring of the Debtors. I believe that the Canadian Orders should be recognized and enforced in the United States in order to eliminate the risk of litigation in the United States by certain creditors in contravention of the Preliminary CBCA Order and to permit the orderly implementation of the CBCA Proceeding and, ultimately, any plan of arrangement approved by the Canadian Court. I believe that recognition of the CBCA Proceeding furthers the important objective of protecting and maximizing the Debtors' material assets used in the Debtors' U.S. business operations.

## **II. Corporate Background and Current Business Operations**

9. CPC, the ultimate parent company of all of the Debtors, is a publicly traded company incorporated under the CBCA which, through its 23 direct and indirect subsidiaries and a general partnership interest, produces and sells pulp and paper products in North America, Asia, Australia, and Latin America. Headquartered in Richmond, British Columbia, the Debtors are a consolidated business enterprise comprising of various manufacturing, sales, and distribution facilities and offices in Canada and the United States that are operationally and functionally integrated. The Debtors' corporate governance and centralized senior management, finance, and human resource functions are managed from Richmond. The Debtors are the largest producer of mechanical printing papers in Western North America and the largest producer of coated groundwood paper in North America.

### **A. Business Operations**

10. The Debtors operate three (3) paper mills in British Columbia, located in Crofton, Port Alberni and Powell River, and two additional paper mills in the United States, located in Biron, Wisconsin, and Rumford, Maine. The Debtors' business is comprised of four segments: (a) coated paper, (b) uncoated paper, (c) newsprint, and (d) pulp. As of 2015, the coated paper

segment accounted for 52% of sales revenue on a consolidated revenue basis, uncoated paper generated 19% of sales, newsprint represented 12%, and pulp sales made up the remaining 17%. With respect to the relative scope of operations between the United States and Canada, more than three-quarters of the Debtors' fixed assets (*i.e.*, property, plants and equipment) are located in Canada, while less than one-quarter are located in the United States. Similarly, although precise sales figures are difficult to allocate between Canada and the United States due to the Debtors' centralization of sales operations, an estimated 60% of sales relate to products manufactured in Canada.

11. The common stock of CPC is listed on the Toronto Stock Exchange under the symbol TSX:CTL. CPC's primary asset in the United States is its 100% equity ownership of Catalyst Paper Holdings Inc. ("Catalyst Paper Holdings"), a Delaware corporation through which the Company conducts substantially all of its operations in the United States.

12. Two of the U.S. Debtors, Catalyst Paper Operations Inc., a Delaware corporation, and Catalyst Paper (USA) Inc., a California corporation, have material assets and business in the United States, including the mills in Wisconsin and Maine, as well as support centers at various other locations in the United States. One of the U.S. Debtors, Pacifica Poplars Inc., a Delaware Corporation, owns certain poplar lands in Washington state with *de minimis* value. The assets and operations of these three U.S. Debtors, each of which is a direct or indirect subsidiary of Catalyst Paper Holdings, are spread throughout the United States, with no dominating "nerve center" other than the consolidating corporate presence in Delaware. Additionally, the Debtors collectively hold an interest in a \$50,000 retainer that is held by Debtors' counsel in a Delaware bank account on behalf of all Debtors associated with this matter. The majority of the U.S.

Debtors have minimal or no assets in the United States other than their equity interests in related entities, their interest in the retainer, and their corporate existence in Delaware.

**B. Corporate and Capital Structure**

13. The Debtors' corporate structure is set forth in Exhibit B, attached hereto. CPC is a corporation organized under the CBCA. It is the parent company of the enterprise and directly controls 100% of the common equity of almost all of the Canadian Debtors, as well as Catalyst Paper Holdings, which directly or indirectly controls the U.S. Debtors. It is also a general partner in a general partnership, Catalyst Paper, which was formed between CPC and Debtor Catalyst Pulp Operations Limited.

14. The principal debt obligations of the Debtors are comprised of credit facilities and public debt obligations described in more detail below. All of the Canadian Debtors and U.S. Debtors Catalyst Paper Holdings, Catalyst Paper (USA) Inc., Pacifica Poplars Inc., Pacifica Papers US Inc., Pacifica Papers US Inc., Catalyst Paper Operations Inc., and Catalyst Paper (Snowflake) Inc. (collectively with CPC, the "Loan Parties") are co-borrowers and/or guarantors with respect to CPC's debt facilities described below.

15. ABL Facility. Upon the completion of its 2012 restructuring, CPC and other Loan Parties entered into a credit agreement (as amended and restated, the "ABL Credit Agreement") which currently provides for a revolving facility of up to C\$ 250,000,000 and letter of credit facilities made available to CPC to provide it with necessary liquidity and working capital for general corporate matters (the "ABL Facility"). The obligations under the ABL Credit Agreement are secured by a first priority charge on the current assets of the Loan Parties, and a second priority charge on the fixed assets of the Loan Parties. As of June 30, 2016, the amount drawn on the ABL Facility by CPC amounted to approximately C\$134.3 million and approximately C\$24.1 million in outstanding letters of credit.

16. Term Loan. On March 20, 2014, CPC entered into a term loan credit agreement (as amended, the “Term Loan Credit Agreement”) providing for a C\$20 million term loan (the “Term Loan”) bearing interest at the Canadian Prime Rate plus 3%. The obligations under the Term Loan Credit Agreement are secured by a first priority charge on the fixed assets of the Loan Parties and a second priority charge on the current assets of the Loan Parties. As of June 30, 2016, an amount of approximately C\$15.1 million remained outstanding under the Term Loan Credit Agreement, which is currently scheduled to mature on July 31, 2017.

17. Secured Notes. CPC issued a series of secured notes, governed by U.S. law, known as the “PIK Toggle Senior Secured Notes” due on October 30, 2017 (the “Secured Notes”). The obligations of CPC in connection with the Secured Notes are guaranteed by the Loan Parties and secured by the first priority charge on the fixed assets of the Loan Parties and the second priority charge on the current assets of the Loan Parties which secure the obligations under the Term Loan Credit Agreement. The obligations of the Loan Parties in connection with the Secured Notes rank subordinate to the obligations owed in connection with the Term Loan Credit Agreement. As of June 30, 2016, the total indebtedness under the Secured Notes amounted to approximately C\$335.0 million. Interest is payable at a rate of 11% per annum (or at a rate of 13% per annum, of which 7.5% per annum shall be payable by cash and 5.5% per annum shall be payable in the form of additional Secured Notes), and the next interest payment of approximately US\$14,327,500 is due on November 1, 2016 (the “November 1 Interest Payment”).<sup>3</sup>

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<sup>3</sup> Given the current circumstances, the Debtors have determined that it is in their best interest and the best interest of all their stakeholders not to make the November 1 Interest Payment to the holders of the Secured Notes (the “Noteholders”). The Support Agreement (as defined below) provides that the principal and certain accrued interest on the Secured Notes, including the November 1 Interest Payment, will be exchanged for interests in a new term loan and common stock of CPC, as described herein.

18. Trade Debt. The amount owing on trade payables fluctuates during the course of any given month. As of June 30, 2016, the Debtors had unsecured trade debt in the approximate amount of C\$158.6 million resulting from trade supply obligations arising in the normal course.

**III. Events Leading Up to CBCA Proceedings**

19. CPC and its affiliates previously filed chapter 15 proceedings in 2012 (the “2012 Chapter 15 Proceeding”) in the United States Bankruptcy Court for the District of Delaware (Case No. 12-10221 (PJW)) (the “Bankruptcy Court”) to recognize restructuring proceedings commenced in Canada pursuant to the CBCA, which ultimately converted to a proceeding under Canada’s *Companies’ Creditors Arrangement Act* (the “2012 Canadian Proceeding”). In the 2012 Chapter 15 Proceeding, jointly administered under Case No. 12-10221 (PJW), the Bankruptcy Court entered a final order (i) finding that British Columbia, Canada, was the center of main interest for the debtors, (ii) recognizing the 2012 Canadian Proceeding as a “foreign main proceeding,” (iii) acknowledging CPC as the duly appointed foreign representative for the 2012 Canadian Proceeding, and (iv) recognizing the plan of arrangement approved and implemented through the 2012 Canadian Proceeding and granting all relief afforded to a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code. See In re Catalyst Paper Corporation, Case No. 12-10221 (Bankr. D. Del. March 5, 2012) [D.I. 89].

20. Since its comprehensive restructuring proceeding under in 2012, the Debtors have continued to face increasingly challenging business conditions as the demand for, and the price of, traditional printing and writing papers has continued to experience declines in the past years. Although the Debtors generally continue to meet their obligations as they become due, the Debtors have nevertheless incurred significant losses in recent years.

21. In May 2016, CPC received a copy of an expression of intent among Kejriwal Group International (“KGI”) and CPC’s largest shareholders holding or controlling

approximately 79.6% of its outstanding common shares and 86.9% of the Secured Notes (the “Principal Securityholders”) regarding a proposed acquisition transaction (the “KGI Acquisition”) whereby KGI would acquire all or substantially all of the outstanding common shares of CPC. CPC believed that the proposal could provide the Debtors with a significant amount of capital to enhance and accelerate the Debtors’ planned growth initiatives, and retained the services of Houlihan Lokey Capital, Inc. to assist it in the review of the proposed KGI Acquisition as well as other strategic alternatives, including a potential financial restructuring or reorganization. On June 30, 2016, the Principal Securityholders entered into a support agreement (the “KGI Acquisition Support Agreement”) with KGI in connection with the KGI Acquisition pursuant to which the Principal Securityholders committed to support and vote in favor of the KGI Acquisition, subject to certain material conditions and other provisions.

22. Upon being informed of the expression of interest in May 2016, CPC, with the assistance of legal and financial advisors, began its review and evaluation of the proposed KGI Acquisition and thereafter of the process contemplated by the KGI Acquisition Support Agreement. The KGI Acquisition contemplated a transaction whereby (i) KGI would acquire all outstanding common shares of CPC except for those held by the Principal Securityholders and the directors of CPC (which would be converted into a new junior convertible term loan), (ii) the Secured Notes would be converted into new indebtedness, (iii) KGI would make certain equity investments in CPC, and (iv) trade and other obligations would remain unaffected. CPC worked diligently and fully cooperated in advancing the KGI Acquisition process, including allowing due diligence in respect of its business and affairs, providing access to KGI and its advisors to a virtual data room, organizing site visits, arranging for meetings with its lenders, and reviewing and negotiating the terms of definitive documentation.

23. Consistent with its fiduciary duties and taking into account the interests of CPC's stakeholders, CPC requested that the Principal Securityholders consider proposing or supporting a possible alternative recapitalization transaction, in the event that the KGI Acquisition were not completed. Therefore, on October 30, 2016, CPC and certain of its principal stakeholders holding or controlling approximately 69.6% of its outstanding common shares and approximately 86.7% of the outstanding Secured Notes (the "Supporting Securityholders") entered into a support agreement (the "Support Agreement") pursuant to which such stakeholders have agreed to support a recapitalization transaction (the "Recapitalization Transaction"). The principal terms of the Recapitalization Transaction include that:

- existing Secured Notes (including interest scheduled to be paid on November 1) with an aggregate principal amount outstanding of US\$260.5 million would be exchanged for interests in a new 5-year US\$135 million term loan plus common shares of CPC representing 95% of the outstanding number thereof after giving effect to such conversion;
- existing credit facilities would remain in place subject to certain amendments, including extension of maturities, all conditioned upon the agreement of the ABL Lenders and Term Loan Lenders;
- CPC and the Supporting Securityholders would cooperate to structure/negotiate the terms by which certain of the common shares not held by such Supporting Securityholders would be exchanged for cash consideration payable by CPC or otherwise repurchased by CPC, subject to certain conditions (completion of any such exchange would not be a condition to the Recapitalization Transaction); and
- all other obligations of CPC, including to its trade creditors, suppliers, customers and employees, would remain unaffected and would be paid or satisfied in the ordinary course.

The Support Agreement also permits CPC to terminate the Support Agreement if its Board of Directors determines that, as a result of its fiduciary duties or other legal requirements, it does not intend to, and/or will not approve or cause to permit CPC to pursue or consummate the

Recapitalization Transaction. Given its complex nature, the Recapitalization Transaction would have to be effected by way of a plan of arrangement under the CBCA.

24. Notwithstanding the execution of the Support Agreement, CPC, the Principal Securityholders and KGI are in continuing discussions regarding the KGI Acquisition. If and when an agreement between CPC and KGI is reached in connection with this transaction, CPC may choose to submit concurrently a plan of arrangement involving the KGI Acquisition (the “Acquisition Plan”) and the Recapitalization Plan. In such a scenario, it is expected that the Recapitalization Transaction would become an alternative to the Acquisition Plan and would only be implemented in the event that the KGI Acquisition were not completed. Catalyst seeks either to reach an agreement in respect of the sale of its business to a willing purchaser such as KGI who can fund the operations of the Company going forward, or restructure its capital in order to be able to move forward with its business with enhanced liquidity.

25. In the course of its discussions with the lenders under the ABL Facility (the “ABL Lenders”) to obtain a waiver of certain defaults that could arise under the ABL Credit Agreement as a result of, inter alia, CPC’s decision to defer the November 1 Interest Payment and the commencement of these proceedings, CPC has requested that the ABL Lenders consider, and CPC intends to negotiate with the ABL Lenders, certain amendments to the ABL Facility, including an extension of the term thereof, in order to facilitate the Recapitalization Transaction. As at the date of this petition, no amending agreement has yet been entered into with the ABL Lenders. CPC has taken similar steps with the lenders under the Term Loan.

### **FIRST DAY PLEADINGS**

26. In furtherance of these objectives, the Debtors have filed contemporaneously herewith a number of First Day Pleadings and proposed orders and respectfully request that the Court consider entering the proposed orders granting such First Day Pleadings. I have reviewed

each of the First Day Pleadings and proposed orders, including the exhibits thereto, and the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

**I. Joint Administration Motion**

27. CPC, as the Foreign Representative, has filed a motion to jointly administer the Chapter 15 Cases. I believe joint administration is warranted in these cases. The Debtors are affiliated entities with closely-related financial affairs and business operations, and joint administration will ease the administrative burden on the Court and the parties. I anticipate that the various notices, motions, hearings, orders and other pleadings in these cases will affect each of the 14 affiliated Debtors. The failure to administer these cases jointly would result in duplicative pleadings filed for each issue and service of substantially identical pleadings. Such unnecessary duplication would impose avoidable expenses on all parties and unnecessarily burden the Clerk of the Court. Further, the supervision of the administrative aspect of these cases by the United States Trustee for the District of Delaware will be simplified through joint administration.

28. Joint administration will permit this Court to use a single docket for the jointly-administered cases and combine notices to certain of the Debtors' creditors and other parties in interest of the Debtors. Joint administration will protect parties in interest by ensuring that they will be appropriately apprised of all matters before the Court for each of the Debtors. Requiring separate administration of the Chapter 15 Cases would subject the Debtors and potential creditors to substantial administrative burden, and could distract the Debtors at a time when obtaining approval of a plan of arrangement under the CBCA is critical. Accordingly, I believe entry of an order granting the relief requested in the Joint Administration Motion is in the best interest of the Debtors and all parties in interest.

**II. Consolidated Lists Motion**

29. To ease the administrative burden of these cases on the parties, CPC, as the Foreign Representative, is seeking authorization to file in the Debtors' main case a consolidated list of foreign proceeding administrators, parties to litigation pending in the United States in which any of the Debtors is a party, and all entities against which the Debtors seek provisional relief under section 1519 of the Bankruptcy Code. The Debtors presently maintain, on a consolidated basis, various lists that contain nearly all of the requisite data. I believe that these lists may be consolidated and utilized efficiently to provide interested parties with the information required by Bankruptcy Rule 1007(a)(4). Accordingly, the Debtors are seeking authority to file such consolidated list. I believe that the relief requested serves the interests of efficiency and conserves the resources of all parties in interest.

**III. Verified Petition and Provisional Relief Motion**

30. CPC, as Foreign Representative has also filed concurrently herewith the Verified Petition, the Provisional Relief Motion, and a memorandum of law in support of such pleadings, seeking provisional relief, final relief, and final recognition of the CBCA Proceeding as a foreign proceeding. As set forth in the Verified Petition and Provisional Relief Motion, I believe this Court should recognize the CBCA Proceeding as a "foreign main proceeding," as defined in section 1502(4) of the Bankruptcy Code. In the alternative, this Court should recognize the CBCA Proceeding as a "foreign main proceeding" with respect to the Canadian Debtors and a "foreign nonmain proceeding" with respect to the U.S. Debtors. I understand that the Bankruptcy Code provides that a foreign proceeding is a "foreign main proceeding" if it is pending in the country where the debtor has a "center of main interests," and a foreign proceeding is a "foreign nonmain proceeding" if it is pending in the country where the debtor has

an “establishment,” defined as a place of operations where the debtor “carries out a nontransitory economic activity.” See 11 U.S.C. §§ 1517(b)(1)-(b)(2), 1502(2).

31. The Debtors’ “center of main interest” is clearly in Richmond, British Columbia, Canada. Richmond, B.C., part of the Greater Vancouver Regional District, is the location of the Debtors’ headquarters and is the nerve center of the Debtors’ management, business and operations. The Debtors and their non-Debtor affiliates (collectively, the “Company”) are operationally and functionally integrated in many respects, organized under centralized senior management, and subject to combined cash management and accounting functions, all based in and overseen from Richmond. The following critical functions, among others, are performed for the Company out of the Richmond Office:

- a. the operations of the Company are directed from the Company’s head office in Richmond, B.C.;
- b. all of the Debtors report to CPC, which is headquartered at the Company’s head office in Richmond;
- c. corporate governance for the Company is directed from Canada;
- d. the majority of the officers and half of directors for the U.S. Debtors are based in Richmond;<sup>4</sup>
- e. strategic and key operating decisions and key policy decisions for the Company are made by the Company’s staff located in Richmond;
- f. the Company’s human resources functions are administered from Richmond, and all local human resources staff report into Richmond;
- g. the Company’s information technology and systems are directed from Richmond;
- h. mill management and senior staff of the Company regularly attend meetings in Richmond;

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<sup>4</sup> Only one member of the senior management team, the head of CPC’s sales department, is stationed outside of Richmond, in Seattle, Washington. Each of the U.S. Debtors has two directors, one of which is located in Richmond and the other is located in Seattle.

- i. all public company reporting and investor relations are directed from Richmond;
- j. the Company's chief executive officer (the "CEO") is based in Richmond, and, in addition to the senior management referenced above, all sales, manufacturing, operations, and legal staff report to the CEO; and
- k. each of the Debtors has assets in Canada, and all but one<sup>5</sup> of the U.S. Debtors owns and maintains a bank account at a Canadian chartered bank in Vancouver, British Columbia which maintains such funds on deposit.

32. Further, the three mills in British Columbia constitute the majority of the Company's production capacity, and the Company's distribution center and recycling facility are also located in British Columbia.

33. As such, it is my belief that Canada is the Debtors' center of main interests, and, accordingly, the CBCA Proceeding should be recognized by the Court as a foreign main proceeding. However, even if Canada were not the center of main interests of the U.S. Debtors, based on the above description, the U.S. Debtors clearly have an "establishment" in Canada within the meaning of section 1502(2) of the Bankruptcy Code as I understand it.

34. By the Provisional Relief Motion, CPC also requests the application of sections 362 and 365(e) of the Bankruptcy Code on an interim basis until the hearing on recognition takes place. As explained more fully in the Provisional Relief Motion, absent such preliminary relief pending the Court's determinations with respect to recognition of the CBCA Proceeding as a "foreign main proceeding," the Debtors could face immediate and irreparable harm resulting from the piecemeal loss of assets from Trustee or individual Noteholder collection and enforcement efforts and contract terminations asserted by certain contract counterparties.

35. The Debtors engage in operations in the United States and have U.S. creditors in the form of Noteholders, whose Secured Notes are governed by U.S. law, and trade vendors.

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<sup>5</sup> Catalyst Paper Operations Inc. does not maintain a bank account in Canada.

While the Debtors believe they have the broad support of a significant majority of Noteholders in the CBCA Proceeding, non-payment of the November 1 Interest Payment potentially could lead to efforts by the indenture trustee for the Secured Notes or individual Noteholders to obtain payment of such interest or otherwise exercise remedies against the Debtors or their assets through collection or enforcement actions in the United States if the CBCA Proceeding is not recognized in the United States. Certain of the Debtors are parties to agreements containing provisions purporting to allow the counterparties to terminate such agreements upon the filing of a bankruptcy or similar reorganization proceeding or potential defaults under the indenture for the Secured Notes and similar events. These contract counterparties may seek to invoke such provisions in order to terminate their contracts and avoid their corresponding obligations to the Debtors. Without the protections sought in the Provisional Relief Motion, should such contracts be terminated, the Debtors would lose important rights and benefits under the contracts, to the detriment of the Debtors' businesses and, in turn, their creditors.

36. The failure to promptly enjoin creditor actions would result in a significant disruption to the Debtors' business if their creditors could effectively evade the terms of the Preliminary CBCA Order by commencing any actions in the United States or by terminating U.S. contracts. If collection and enforcement actions or contract terminations occurred in the United States, the Debtors would be forced to expand their resources to defend against these suits and/or purported contract terminations, regardless of their merit, and may be forced to expend limited resources in defense of collection actions by individual creditors, and may need to exert efforts to replace terminated contracts, potentially with less advantageous terms. Absent the relief requested, if creditors unilaterally pursue collection or enforcement efforts or seek to

terminate contracts, it could diminish the value of the Debtors' assets and cause significant delay and disruption to the Debtors' restructuring process.

37. I understand that the Debtors seek to give full force and effect in the United States to any and all orders that have been or will be made or entered in the CBCA Proceeding, including, without limitation, the Preliminary CBCA Order, and any forthcoming interim or final order approving the restructuring transaction to be effected through the CBCA "arrangement" (collectively, the "Canadian Orders"), including any extensions or amendments in the United States and to obtain recognition of the CBCA's stay of proceedings to protect their United States assets and operations, solely to the extent requested in the Verified Petition and the Provisional Relief Motion. The Debtors require immediate protection in the United States through entry of the order granting the Provisional Relief Motion on a provisional basis, consistent with the relief provided for in the Canadian Orders, to prevent creditors and other stakeholders from taking steps to disrupt the Debtors' operations, potentially deplete these estates to the detriment of all stakeholders, and irreparably jeopardize the Debtors' ongoing efforts to restructure. I believe that avoiding such potential outcomes through the recognition of the CBCA Proceeding and the enforcement of the Preliminary CBCA Order and Canadian Orders in the United States is consistent with U.S. public policy, and promotes the public policies embedded in the Bankruptcy Code.

38. Accordingly, based on the foregoing, I urge the Court to grant the relief requested in the Verified Petition and Provisional Relief Motion, as I believe such relief to be vital to a successful restructuring of the Debtors, and in the best interests of the Debtors and their creditors generally.

**IV. Notice Procedures Motion**

39. CPC, as Foreign Representative, has filed the Notice Procedures Motion seeking an order approving the form and manner of service of the notice of (a) the Chapter 15 Petitions, Verified Petition and Provisional Relief Motion, and other related pleadings involving the Chapter 15 Cases, (b) the Court's entry of any order granting the relief sought in the Provisional Relief Motion (the "Provisional Relief Order"), (c) the deadline by which objections to the Foreign Representative's request for entry of a final order granting the relief sought in the petitions for relief (the "Recognition Order") must be received, and (d) setting the hearing for the Court to consider the Chapter 15 Petitions and the Verified Petition.

40. The Debtors have certain creditors, potential creditors, and other parties in interest that must be provided with, among other things, notice of the Provisional Relief Order, the proposed final Recognition Order, the deadline to object to the proposed Recognition Order, and the hearing on the proposed Recognition Order. Under the facts and circumstances of the CBCA Proceeding and Chapter 15 Cases, it is my belief that service of the notice in the manner proposed in the Notice Procedures Motion will provide the Debtors' various parties in interest due and sufficient notice and service of such matters and any associated objection deadline and hearing dates. I believe that the proposed form and manner of service of notice outlined in the Notice Procedures Motion is an efficient and effective way to provide notice to key parties, and will not burden the Foreign Representative or the Debtors and their estates with the significant costs necessarily associated with copying and mailing various documents filed in these cases to parties whose rights remain unaffected by the CBCA Proceeding and these Chapter 15 Cases. Accordingly, I believe entry of an order granting the relief requested in the Notice Procedures Motion is in the best interests of the Debtors and all parties in interest.

Based on the foregoing, I believe that the relief requested in the Chapter 15 Cases is well-justified, necessary to a successful reorganization of the Debtors, and in the best interests of the Debtors and their creditors and should be granted in full.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: Richmond, British Columbia, Canada  
November 1, 2016

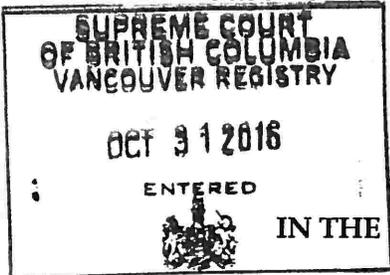


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Stew Gibson  
Vice President, Catalyst Paper Corporation

**Exhibit A**

**Preliminary CBCA Order**



S 1610076

No. \_\_\_\_\_  
Vancouver Registry

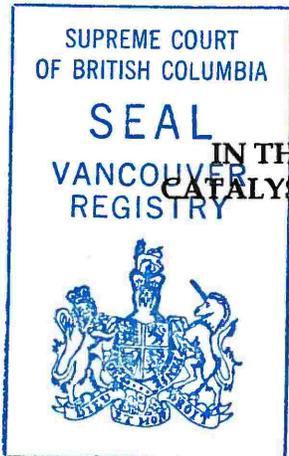
IN THE SUPREME COURT OF BRITISH COLUMBIA

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 & ECHELON PAPER CORPORATION

PETITIONERS\*



ORDER MADE AFTER APPLICATION

PRELIMINARY INTERIM ORDER

BEFORE THE HONOURABLE ) THE 31<sup>st</sup> DAY  
MR. JUSTICE MASUHARA ) OF OCTOBER, 2016  
)

ON THE APPLICATION of Catalyst Paper Corporation ("Catalyst") and Echelon Paper Corporation ("Echelon", together with Catalyst, the "Petitioners") for a Preliminary Interim Order pursuant to the Petition filed on October 31, 2016 in connection with a proposed plan of arrangement (the "Recapitalization Plan") under Section 192(4) of the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended (the "CBCA"), including a stay of proceedings;

AND UPON READING the Petition, the related Notice of Application, the affidavit of Mr. Gerrie Kotze, the Vice-President, Finance of Catalyst, sworn October 31, 2016 and the documents referred to therein;

AND UPON hearing submissions from counsel for the Petitioners, counsel for Agent and counsel for the Supporting Securityholders;

AND UPON being advised that notice of the Petition and related Notice of

Application has been given to the Director appointed under Section 260 of the CBCA (the "Director") and that the Director has determined that the Director does not have standing to review or take a position on the present application;

AND UPON being advised that the Petitioners intend to bring an application on or before November ~~15~~<sup>17</sup>, 2016 (the "Interim Order Hearing Date") putting forth the Recapitalization Plan to this Court, and that if any proceedings or steps are taken to enforce security or otherwise interfere with Catalyst's assets or ordinary business operations prior to the Interim Order Hearing Date, Catalyst's ability to present and implement the Recapitalization Plan will be jeopardized;

*Alan J.*

**FOR THE PURPOSES OF THIS ORDER:**

1. All references to:

- (a) "ABL Credit Agreement" used herein mean the amended and restated *Credit Agreement* entered into on May 9, 2016 between, *inter alia*, Catalyst and the Lenders;
- (b) "ABL Facility" used herein mean the revolving lines of credit made available to, *inter alia*, Catalyst, under the ABL Credit Agreement;
- (c) "Agent" used herein mean the Canadian Imperial Bank of Commerce, as agent for the lenders under Catalyst's ABL Credit Agreement or Term Loan Credit Agreement, as applicable;
- (d) "Collateral Trustee" used herein mean Computershare Trust Company of Canada, in its capacity as collateral trustee pursuant to the Collateral Trust Agreement and the Collateral Documents (as such terms are defined in the Term Loan Agreement) for the benefit of the Agent and the Lenders under the Term Loan Credit Agreement, and any successor thereto in such capacity.
- (e) "Lenders" used herein mean the Canadian Imperial Bank of Commerce, Wells Fargo Capital Finance Corporation Canada, Export Development Canada and Bank of Montreal, in their capacity as lenders under the ABL Credit Agreement and the Term Loan Credit Agreement;
- (f) "Impleaded Parties" used herein mean the parties listed in Schedule "A"

hereof;

- (g) "**Indenture**" used herein mean the base indenture dated September 13, 2012, as supplemented by the first supplemental indenture, dated as of September 13, 2012, the third supplemental indenture, dated as of March 20, 2014, the fourth supplemental indenture dated as of January 7, 2015 and the fifth supplemental indenture thereto dated as of April 29, 2016;
- (h) "**Loan Documents**" used herein mean the "Loan Documents" as such term is defined in each of the ABL Credit Agreement and the Term Loan Credit Agreement;
- (i) "**Noteholders**" used herein mean the holders of Secured Notes;
- (j) "**Secured Notes**" used herein mean the "*PIK Toggle Senior Secured Notes*" issued pursuant to the Indenture and maturing October 30, 2017;
- (k) "**Shareholders**" used herein mean holders of common shares of Catalyst;
- (l) "**Term Loan**" used herein mean the term loan made available to, *inter alia*, Catalyst, under the Term Loan Credit Agreement; and
- (m) "**Term Loan Credit Agreement**" used herein mean the Credit Agreement entered into March 20, 2014, between, *inter alia*, Catalyst and the Lenders, as amended by a first amending agreement in respect thereof dated March 16, 2015 and a second amending agreement in respect thereof dated May 9, 2016;

2. All other capitalized terms not otherwise defined herein shall the meaning ascribed to them in the Petition.

**IT IS HEREBY ORDERED AND DECLARED THAT:**

**SERVICE**

3. The time for service of the Notice of the Application for this Order is hereby abridged and deemed good and sufficient and this Petition is properly returnable today.

**INTERIM ORDER HEARING**

4. The Petitioners are authorized to apply to this Court on or before the Interim Order Hearing Date for an interim order (the "**Interim Order**") permitting the Petitioners to,

among others things, call, hold and conduct special meetings of each of the Noteholders and the Shareholders, to consider and vote upon the Recapitalization Plan and related relief.

STAY OF PROCEEDINGS

*Nov. J.*  
*November 17, 2016*

5. From and including the date of this Order until and including ~~the Interim Order Hearing Date~~ (the "Stay Period"), no right, legal or conventional, may be exercised and no proceeding, at law or under a contract, may be commenced or proceeded with by anyone, whether a person, firm, company, partnership, corporation, stock exchange, government, administration or entity exercising executive, legislative, judicial, regulatory or administrative functions (collectively, "Persons" and, individually, a "Person") against or in respect of any of the Petitioners or the Impleaded Parties (collectively, the "Catalyst Parties"), or any of the present or future property, assets, rights and undertakings of the Catalyst Parties, of any nature and in any location, whether held directly or indirectly by the Catalyst Parties, in any capacity whatsoever, or held by others for the Catalyst Parties (collectively, the "Property"), by reason only of this Order or those listed in subparagraphs 6(a)(b)(c) and (d) of this Order, without leave of this Court. Notwithstanding the foregoing, this paragraph does not apply in any manner, whether directly or indirectly, to the Agent and the Lenders, or any of them, or to any other Person acting on their behalf, including the Collateral Trustee, under or in connection with the ABL Credit Agreement, the Term Loan Credit Agreement or any other Loan Document.
  
6. During the Stay Period, no Person (other than the Agent, the Lenders or any Person acting on their behalf to the extent contemplated in the last sentence of paragraph 5 above) including, without limitation, the Noteholders, the Trustee under the Indenture, (i) shall have any right to terminate, accelerate, amend, declare a default or event of default or make any demand or take any step to enforce any guarantee or any security interest granted by any of the Catalyst Parties in respect of the Secured Notes or any contract or agreement to which any of the Catalyst Parties are a party, borrower or guarantor, and (ii) may refer to, rely on or otherwise claim any rights against any of the Catalyst Parties under any contract, debt, instrument or any other agreement with any of

the Catalyst Parties in respect of any alleged breach, default or event of default under the Secured Notes or any contract or other agreement to which any of the Catalyst Parties are a party, borrower or guarantor, in each case, by reason of:

- (a) Catalyst having commenced these proceedings;
- (b) Any of the Catalyst Parties taking any steps in furtherance thereof;
- (c) Any of the Catalyst Parties being a party to these proceedings or being a party to the Recapitalization Plan; or
- (d) Any default or cross-default arising under the Indenture and the Secured Notes,

without leave of this Court. For greater certainty, this paragraph shall not apply in any manner, whether directly or indirectly, to the Agent and the Lenders, or any of them, or to any other Person acting on their behalf, including the Collateral Trustee, under or in connection with the ABL Credit Agreement, the Term Loan Credit Agreement or any other Loan Document.

7. Without limiting the generality of the foregoing, during the Stay Period, all Persons (other than the Agent, the Lenders or any Person acting on their behalf to the extent contemplated in the last sentence of paragraph 5 above), having agreements, contracts or arrangements with any of the Catalyst Parties or in connection with any of the Property, whether written or oral, for any subject or purpose, are restrained from modifying, suspending, terminating or otherwise interfering with the supply of any goods, services, or other benefits by or to such Persons thereunder (including, without limitation, any directors' and officers' insurance, any telephone numbers, any form of telecommunications service, any oil, gas, electricity or other utility supply) by reason only of this Order or those listed in subparagraphs 6(a)(b)(c) and (d) of this Order, unless leave of this Court is granted on five (5) days' notice to Catalyst. All such Persons, other than the Lenders and the Agent as aforesaid, shall continue to perform and observe the terms and conditions contained in such agreements, contracts or arrangements, so long as the Catalyst Parties pay the prices or charges for such goods and services received in accordance the terms and conditions set forth under such agreements, contracts or arrangements. For

greater certainty, this paragraph shall not apply in any manner, whether directly or indirectly, to the Agent and the Lenders, or any of them, or to any other Person acting on their behalf, including the Collateral Trustee, under or in connection with the ABL Credit Agreement, the Term Loan Credit Agreement or any other Loan Document.

#### **Notice and Service**

8. Unless ordered otherwise by this Court, the only persons entitled to notice of and to appear and to be heard at subsequent applications within these proceedings, including the application for the Interim Order, shall be:
  - (a) the Catalyst Parties and their counsel;
  - (b) counsel to the Agent;
  - (c) Canadian and U.S. counsel to the Supporting Securityholders;
  - (d) the Director; and
  - (e) any interested person who has delivered to counsel to Catalyst with a written request to be provided with notice in the proceedings.
9. The Petitioners shall be at liberty to serve this Order and any other materials and orders in these proceedings, including any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or e-mail and any such service or notice by courier, personal delivery, facsimile transmission or e-mail shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

10. The Petitioners, the Agent and the Lenders, and any other Persons affected by paragraphs 5 to 7 herein, are entitled to seek leave to vary this Order upon the giving of five (5) days' notice or such notice as this Court may direct.
11. This Order shall have full force and effect in all other Provinces and Territories of Canada and shall be enforced in the courts of each Provinces and Territories of Canada

in the same manner in all respects as if this Order had been made by the Court enforcing it.

12. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada and any judicial, regulatory or administrative tribunal or body or other court constituted pursuant to the Parliament of Canada, the legislature of any province and any court or any judicial, regulatory or administrative body of the United States, any state thereof or any other country in the aid of and to assist this Court in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Catalyst Parties as may be necessary or desirable to give effect to this Order, to grant representative status to any of the Catalyst Parties in any foreign proceedings, or to assist the Catalyst Parties and their respective agents in carrying out the terms of this Order.
13. Catalyst is authorized to act as the representative or foreign representative (the "**Foreign Representative**") of any of the Catalyst Parties in connection with these proceedings and with carrying out the terms of this Order, for, among other things, the purpose of having these proceedings recognized in any other jurisdiction whether in or outside of Canada (the "**Recognition Proceedings**"), as necessary, the Foreign Representative is hereby authorized to apply for foreign recognition of these proceedings, as necessary, in any jurisdiction outside of Canada.
14. For the purpose of the Recognition Proceedings, British Columbia is the "*Centre of Main Interest*" of Catalyst and its affiliates and subsidiaries, including, but not limited, to the Petitioners and Impleaded Parties.

- 16. This Order and all of its provisions are effective as of 12:01 a.m. (Vancouver time) on the date of this Order.

 By the Court

  
 \_\_\_\_\_  
 Registrar 

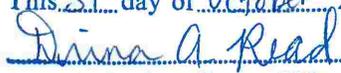
Approved as to form:

  
 \_\_\_\_\_  
 Guy Martel

  
 \_\_\_\_\_  
 KIBBEN JACKSON, COUNSEL  
 FOR THE SUPPORTING SECURITY HOLDERS

  
 \_\_\_\_\_  
 DINA MILIVOJEVIC, COUNSEL  
 FOR CIBC

Certified a true copy according to the records of the Supreme Court at Vancouver, B.C.

This 31<sup>st</sup> day of October, 2016  
  
 \_\_\_\_\_  
 Authorized Signing Officer

**DRINA READ**

**SCHEDULE A**  
**IMPLEADED PARTIES**

Catalyst Pulp and Paper Sales Inc.

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

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.

Catalyst Paper Operations Inc.

Catalyst Paper General Partnership

No. \_\_\_\_\_  
Vancouver Registry

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**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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**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 & ECHELON PAPER CORPORATION**

**PETITIONERS**

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**ORDER**

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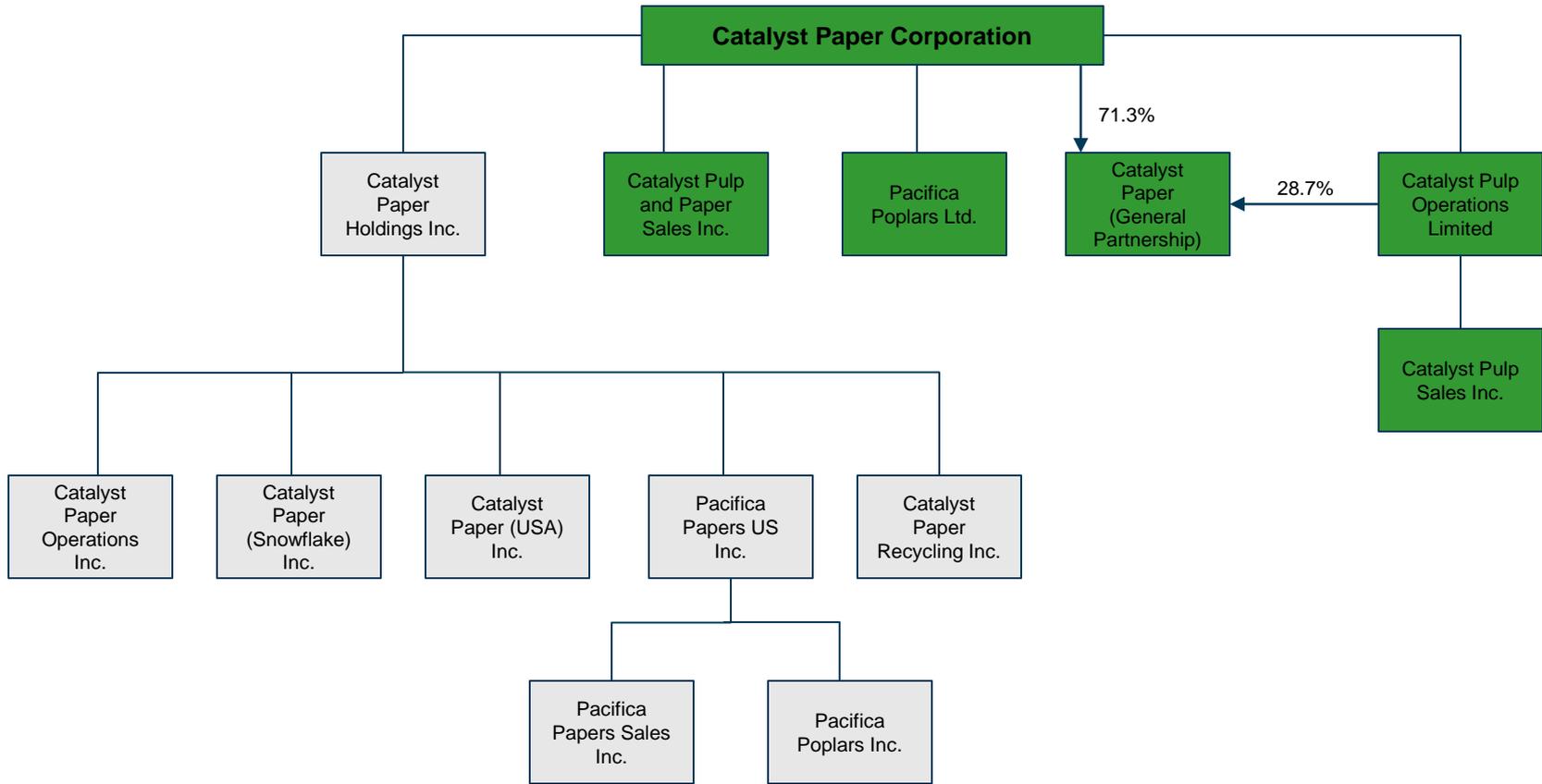
STIKEMAN ELLIOTT LLP  
Suite 1700, Park Place  
666 Burrard Street  
Vancouver, BC V6C 2X

COUNSEL: GUY P. MARTEL/ JONATHAN S. MCLEAN  
FILE NO: 139718-1001

**Exhibit B**

**Debtors' Corporate Structure**

**Corporate Structure  
Chapter 15 Debtors**



Legend	
<span style="display: inline-block; width: 15px; height: 15px; background-color: #008000; border: 1px solid black;"></span>	<b>Canadian Debtors</b>
<span style="display: inline-block; width: 15px; height: 15px; background-color: #d3d3d3; border: 1px solid black;"></span>	<b>U.S. Debtors</b>