

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

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	:	
In re:	:	Chapter 15
	:	
CATALYST PAPER CORP., <u>et al.</u> ,	:	Case No. 12-10221 (PJW)
	:	
Debtors. ¹	:	Joint Administration Pending
	:	
	X	

**MOTION FOR PROVISIONAL AND FINAL RELIEF FOR
RECOGNITION OF A FOREIGN PROCEEDING
PURSUANT TO 11 U.S.C. §§ 105(A), 1517, 1519, 1520, AND 1521**

Catalyst Paper Corporation (“CPC”), as the authorized foreign representative for itself and its above-captioned affiliates (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CBCA Proceeding”) under Section 192 of the *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”), hereby moves (the “Motion”) this Court, pursuant to sections 105(a), 1517, 1519, 1520 and 1521 of title 11 of the United States Code (the “Bankruptcy Code”) for: (a) entry of a provisional order (the “Provisional Relief Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these chapter 15 cases and granting related relief on an interim basis, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number of the Debtors, as applicable, follow in parentheses: (i) 0606890 B.C. Ltd. (2214); (ii) Catalyst Paper Corporation (1171); (iii) Catalyst Paper Energy Holdings Inc. (3668); (iv) Catalyst Paper General Partnership (6288); (v) Catalyst Pulp and Paper Sales Inc. (2085); (vi) Catalyst Pulp Operations Ltd. (4565); (vii) Catalyst Pulp Sales Inc. (4021); (viii) Elk Falls Pulp and Paper Ltd. (9493); (ix) Pacifica Poplars Ltd. (6048); (x) Catalyst Paper Holdings Inc. (7177); (xi) Pacifica Papers U.S. Inc. (7595); (xii) Pacifica Poplars Inc. (9597); (xiii) Pacifica Papers Sales Inc. (7594); (xiv) Catalyst Paper (USA) Inc. (6890); (xv) Catalyst Paper (Recycling) Inc. (8358); (xvi) Catalyst Paper (Snowflake) Inc. (7015); (xvii) The Apache Railway Company (0017) (0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Paper Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd., collectively, the “Canadian Debtors”) (Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, collectively, the “U.S. Debtors”). The Debtors’ executive headquarters’ addresses are 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

the Bankruptcy Code; (b) entry of a final order (the “Recognition Order”) after a notice and a hearing (i) granting the petitions in these cases and recognizing the CBCA Proceeding as a foreign proceeding under section 1517 of the Bankruptcy Code, and (ii) giving 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 Interim Order (as defined below) and any forthcoming final order approving the restructuring transaction to be effected through the CBCA “arrangement” (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, and (c) granting such other and further relief as this Court deems just and proper, including, as appropriate, under sections 1520 and 1521 of the Bankruptcy Code. In support of the Motion, CPC relies upon the Declaration of Brian Baarda (the “Baarda Declaration”), the Declaration of Bill Kaplan (the “Kaplan Declaration”) and the Memorandum of Law in Support of: (I) Verified Petitions Under Chapter 15; and (II) Motion for Provisional and Final Relief in Recognition of a Foreign Main Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521 (the “Memorandum of Law”), filed contemporaneously herewith, and each of which is incorporated herein by reference. In further support of the Motion, CPC respectfully represents as follows:

BACKGROUND

1. In October 2011 it became apparent that, given the Company’s liquidity constraints, the Company may breach certain covenants under the 2016 Notes and it would be necessary for the Company to restructure its debt obligations.² As a result, the Company began negotiating with representatives of certain holders of the 2014 Notes (collectively, the “2014 Noteholders”) and

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Baarda Declaration.

holders of the 2016 Notes (collectively, the “2016 Noteholders”) who had entered into confidentiality agreements since the fall of 2011. The negotiations, which have taken place over the last two and one half months, have included the Company, certain of the 2014 Noteholders and certain of the 2016 Noteholders together with their respective legal and financial advisors. Since then, such parties have continued discussions and have reached a global resolution. Accordingly, the Debtors sought protection of their arrangement under the CBCA.

2. Following the Company’s decision to defer payment of interest on the 2016 Notes on December 15, 2011, the Company and certain holders of the 2016 Notes and 2014 Notes who had entered into confidentiality agreements intensified negotiations regarding the recapitalization of the Company. Ultimately, the Company and its constituents were able to arrive at terms that satisfied the Company’s goals of enhanced flexibility to respond to the downturn in the market for paper, newsprint and pulp, improved capital structure and reduced debt service burden. Specifically, under the terms of the consensual arrangement (which is attached to the Baarda Declaration as Exhibit C) negotiated among the Company, certain holders of 2016 Notes and certain holders of 2014 Notes, the Company will realize a \$315.4 million reduction in debt and up to a \$25.5 million reduction in annual cash interest expense. In addition, holders of 2016 Notes will exchange their debt for \$325 million aggregate principal amount of new senior secured notes which are payable by the Company at 11% if in cash or, at the Company's election, at 7.5% in cash and 5.5% payment in kind, and 80% of the Company’s common shares. Holders of 2014 Notes will exchange their debt for 15% of the Company’s common shares plus warrants and an opportunity to acquire an additional 4.5% of the Company’s common shares. Existing equity holders will retain up to 0.5% of the common shares, provided that the recapitalization is successfully accomplished under the CBCA. The Company is pleased to report that holders of

\$208.1 million of the outstanding 2016 Notes and holders of \$54.5 million of the outstanding 2014 Notes have agreed to support the transaction to date.

3. On January 17, 2012, the Debtors commenced CBCA Proceedings to effect the consensual restructuring arrangement described above. On January 17, 2012, the Canadian Court entered an interim order (the “Interim Order”) specifying such items as the manner for calling and holding a special meeting of the stakeholders (e.g., distribution of proxy materials, notice periods, and time and place of meeting), the persons entitled to vote at the meeting, classes of persons entitled to a separate class vote, and the acceptance thresholds for approval of the CBCA arrangement. The Interim Order also imposed a stay of proceedings on any attempts by certain stakeholders to proceed against the Debtors in connection with the Canadian Proceeding or these chapter 15 proceedings. Interim Order ¶ 34.

4. On the date hereof (the “Petition Date”), the Debtors commenced their chapter 15 cases by filing petitions (collectively, the “Chapter 15 Petitions”) pursuant to section 1504 and 1515 of the Bankruptcy Code (collectively, the “Chapter 15 Cases”). CPC seeks recognition of the CBCA Proceeding as a “foreign main proceeding” as defined in sections 1502(4) and 1517(b)(1) of the Bankruptcy Code. In the alternative, CPC seeks recognition of the CBCA Proceeding as a “foreign main proceeding” as defined in sections 1502(4) and 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors, and recognition of the CBCA Proceeding as a “foreign nonmain proceeding” as defined in sections 1502(5) and 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors.

5. The factual background regarding the Debtors, including their business operations, their capital and debt structure, and the events leading to the filing of these bankruptcy cases, is set forth in detail in the Baarda Declaration. Details regarding the CBCA process and proposed “arrangement” are set forth in the Kaplan Declaration and Baarda Declaration.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P).
7. Venue is proper in this District pursuant to 28 U.S.C. § 1410.
8. The statutory predicates for the relief requested herein are sections 105(a), 362, 365, 1517, 1519, 1520, and 1521 of the Bankruptcy Code.

REQUEST FOR RELIEF

9. By this Motion, CPC seeks (a) entry of the Provisional Relief Order, substantially in the form attached hereto as Exhibit A, on an interim basis, applying sections 362 and 365(e) of the Bankruptcy Code to the Chapter 15 Cases and granting related relief pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code until such time that this Court enters the Recognition Order; (b) after notice and a hearing, entry of the Recognition Order, substantially in the form attached hereto as Exhibit B, (i) granting the Chapter 15 Petitions and recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code and (ii) giving full force and effect in the United States to the Canadian Orders, including any extensions or amendments thereof approved by the Canadian Court; and (c) such other and further relief as this Court deems just and proper.
10. In the alternative, with respect to recognition only, by this Motion, CPC seeks, after notice and a hearing, entry of the Recognition Order, substantially in the form attached hereto as Exhibit C, (i) granting the Chapter 15 Petitions, recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors, and recognizing the CBCA Proceeding as a foreign nonmain proceeding under section 1517 of the Bankruptcy Code with respect to the U.S. Debtors, and (ii) giving full force and effect in the United

States to the Canadian Orders, including any extensions or amendments thereof approved by the Canadian Court; and (iii) such other and further relief as this Court deems just and proper. In any event, CPC seeks the same relief with respect to all of the Debtors; namely, the relief provided in section 1520 of the Bankruptcy Code, whether through the application of section 1520 or section 1521(a)(7) of the Bankruptcy Code.

BASIS FOR RELIEF

11. CPC filed the Chapter 15 Petitions to obtain recognition of the CBCA Proceeding as a “foreign main proceeding” under section 1517 of the Bankruptcy Code and to seek certain provisional relief related thereto from this Court in connection with the CBCA Proceeding. The Debtors’ ultimate goal is to ensure an orderly administration of the Debtors’ financial affairs and the recapitalization of the Debtors’ capital structure under the auspices of the CBCA Proceeding, with the aid of this Court through the Chapter 15 Cases. CPC believes that entry of the Provisional Relief Order and Recognition Order will best assure (and may be the only way to ensure) such a result.

A. **Provisional Relief Is Authorized Under Section 1519(a) of the Bankruptcy Code**

12. Section 1519(a) of the Bankruptcy Code provides, in pertinent part, that:

From the time of filing a petition for recognition until the court rules on the petition, the court may, at the request of the foreign representative, where relief is urgently needed to protect the assets of the debtor or the interests of the creditors, grant relief of a provisional nature, including –

(1) staying execution against the debtor’s assets;

(2) entrusting the administration or realization of all or part of the debtor’s assets located in the United States to the foreign representative or another person authorized by the court, including an examiner, in order to protect and preserve the value of assets that, by their nature or because of other circumstances, are perishable, susceptible to devaluation or otherwise in jeopardy; and

(3) any relief referred to in paragraph (3), (4), or (7) of section 1521(a).

11 U.S.C. § 1519(a).

13. Section 1519(a) of the Bankruptcy Code thus authorizes the Court to grant, on a provisional basis, the relief specified plus any relief available under section 1521(a)(7). Section 1521(a)(7) in turn provides for the grant of any relief available to a trustee, subject to certain statutory exceptions that are not applicable here. Accordingly, this Court has discretion to grant a stay of execution against the Debtors' assets, the entrustment of the administration of the Debtors' assets located in the United States to the foreign representative, and application of sections 362 and 365(e) on a provisional basis in order to preserve the estate during the pendency of the Chapter 15 Cases, prior to final disposition of the Chapter 15 Petitions.

14. Relief under section 1519 of the Bankruptcy Code is available where the foreign representative can satisfy the standard for injunctive relief. In the Third Circuit, the four factors considered for such standard are: "(1) whether the movant has shown a reasonable probability of success on the merits; (2) whether the movant will be irreparably injured by denial of the relief; (3) whether granting preliminary relief will result in even greater harm to the nonmoving party; and (4) whether granting the preliminary relief will be in the public interest." U.S. v. Bell, 414 F.3d 474, 478 n.4 (3d Cir. 2005) (citing ACLU of N.J. v. Black Horse Pike Reg'l Bd. of Educ., 84 F.3d 1471, 1477 n.2 (3d Cir. 1996) (en banc)). As discussed more fully in the accompanying Memorandum of Law, this standard is met here.

15. As set forth below and in the Memorandum of Law, recognition of the Chapter 15 Cases on a permanent basis is proper, meaning the probability of successfully obtaining recognition of the CBCA Proceeding pursuant to chapter 15 is high. Further, unless the Provisional Relief Order is entered, the Debtors face the real possibility of immediate and irreparable harm from (a) individual creditors' collection and enforcement actions, including but not limited to the exercise of certain remedies by individual 2014 Noteholders and 2016 Noteholders (each as defined in the

Baarda Declaration) who have not yet consented to the arrangement, or any person acting on their behalf, (b) the attempted termination of certain contracts as a result of the filing of the Chapter 15 Cases and the CBCA Proceeding, and (c) prejudice that could result from decentralized administration of the Debtors' assets.

16. With respect to the potential for collection activity by creditors, a number of courts have recognized the need for provisional relief to prevent individual creditors from taking extrajudicial advantage of the recognition process. See Victrix S.S. Co., S.A v. Salen Dry Cargo, A.B., 825 F.2d 709, 713-14 (2d Cir. 1987) (harm to an estate exists where the orderly determination of claims and the fair distribution of assets are disrupted); In re Banco Nacional de Obras y Servicios Publicos, S.N.C., 91 B.R. 661, 664 (Bankr. S.D.N.Y. 1988). Certain holders of Debtors' prepetition debt may assert that the commencement of the CBCA Proceedings is an event of default under the applicable agreement, and may proceed to exercise their remedies thereunder. In addition, counterparties to various contracts with the Debtors may take the position that such contracts terminated upon the commencement of the CBCA Proceedings and, without the protections afforded by section 365(e) of the Bankruptcy Code, the Debtors may lose valuable rights and benefits thereunder. The relief requested herein is necessary to protect against the disruption to business operations and interference with reorganization efforts that would result from such exercise of remedies by lenders, contract counterparties, and others. Absent this relief, the Debtors and their creditors may suffer irreparable harm.

17. Further, entry of the Provisional Relief Order is also justified under the balance of hardships test. Absent this Court's entry of the Provisional Relief Order, the Debtors may be forced to needlessly expend their limited resources in defense of attachment and other similar collection actions by individual creditors, and may need to exert efforts to replace terminated contracts, potentially with less advantageous terms. At the same time, entry of the Provisional

Relief Order will impose little, if any, hardship on any party. The hearing on the Recognition Order will likely be held in approximately 21 days from the date hereof; thus, the requested provisional relief will only be in place for a limited time and will have little impact on creditors as a whole if, for some reason that is not anticipated, the Court determines not to grant recognition to the CBCA Proceeding. Further, the Provisional Relief Order would not prohibit termination upon the occurrence of any default under the Debtors' contracts other than those specifically enumerated in section 365(e) of the Bankruptcy Code. By contrast, if the provisional relief sought herein is not granted, the Debtors are at material risk of immediate and irreparable harm from automatic termination of certain contracts.

18. Moreover, upon entry of the Recognition Order granting recognition to the CBCA Proceeding as a foreign proceeding, sections 1520 and 1521 of the Bankruptcy Code would implement, among other provisions, the automatic stay of section 362 of the Bankruptcy Code in the Chapter 15 Cases. Thus, in the event the Recognition Order is entered, CPC will become entitled to much of the relief provided for by the Provisional Relief Order.³ In addition, the Debtors intend to continue satisfying their obligations on normal trade terms in the ordinary course of business, so creditors and contract counterparties should not be greatly affected by the ongoing proceedings (if at all). Individual creditors' rights to initiate piecemeal collection and enforcement actions in the United States and to terminate contracts or services when the Debtors will be continuing to operate in the ordinary course of business should be afforded minimal weight in light of the CBCA Proceeding, the filing of the Chapter 15 Petitions, and the relief requested herein.

³ In the event that CBCA Proceeding is recognized as a foreign nonmain proceeding with respect to the U.S. Debtors, CPC is alternatively seeking relief under section 1521 of the Bankruptcy Code that would implement section 1520 of the Bankruptcy Code with respect to the estates of the U.S. Debtors. Therefore, the Debtors will be seeking relief under section 1520 of the Bankruptcy Code, to the extent that such relief is not automatically conferred upon certain of the Debtors.

19. Lastly, provisional application of sections 362 and 365(e) in these Chapter 15 Cases is in the public interest, as such relief is consistent with relief to which debtors in plenary cases under the Bankruptcy Code are entitled. Such relief will allow for a more efficiently-administered restructuring process to the benefit of all interested parties.

20. Furthermore, provisional relief similar to that requested herein has been granted in numerous chapter 15 cases in both this and other districts. See, e.g., In re Angiotech Pharm., Inc., Case No. 11-10269 (KG) (Bankr. D. Del. Jan. 31, 2011); In re Biltrite Rubber (1984) Inc., Case No. 09-31423 (MAW) (Bankr. N.D. Ohio Mar. 13, 2009) (applying, pursuant to section 1519 of the Bankruptcy Code, section 362 of the Bankruptcy Code on a provisional basis to the actions of all creditors against the petitioners and their property located within the United States); In re KPMG Inc., Foreign Representative of Redcorp Ventures Ltd. and Redfern Resources Ltd., Case No. 09-12019 (Bankr. W.D. Wash. March 9, 2009) (same); In re MAAX Corp., Case No. 08-11443 (CSS) (Bankr. D. Del. July 14, 2008) (applying, pursuant to section 1519 of the Bankruptcy Code, section 365(e) on a provisional basis to protect against contract termination); In re Destinator Techs., Inc., Case No. 08-11003 (CSS) (Bankr. D. Del. May 20, 2008) (granting, pursuant to section 1519 of the Bankruptcy Code, a temporary injunction and application of sections 363 and 364 of the Bankruptcy Code on a provisional basis).

21. Based on the foregoing, as supplemented by the Memorandum of Law, CPC submits that the provisional relief requested herein is appropriate, authorized under the Bankruptcy Code, and in the best interests of the Debtors, their creditors and other parties in interest, and should be granted in full.

B. The Final Relief Requested Herein is Necessary and Appropriate

(a) Recognition of the CBCA Proceeding and Enforcement of the Canadian Orders on a Final Basis is Appropriate

22. Chapter 15 of the Bankruptcy Code applies where assistance is sought in the United States by a foreign representative in connection with a foreign proceeding. See 11 U.S.C. § 1501(b)(1). Two of the objectives of chapter 15 of the Bankruptcy Code are the “fair and efficient administration of cross-border insolvencies that protects the interest of all creditors, and other interested entities, including the debtor,” and the “protection and maximization of the value of the debtor’s assets.” 11 U.S.C. § 1501(a)(3) and (4). These Chapter 15 Cases have been commenced to obtain the assistance of this Court in the effective and economical administration of the CBCA Proceeding by, among other things, entering the Recognition Order so that the relief granted by the Canadian Court will apply with respect to the Debtors’ assets in the United States.

23. As set forth more fully in the Memorandum of Law, recognition of the CBCA Proceeding as a foreign main proceeding or, in the alternative, as a foreign main proceeding with respect to the Canadian Debtors and a foreign nonmain proceeding with respect to the U.S. Debtors, is appropriate because CPC has satisfied the requirements of section 1517 of the Bankruptcy Code. Additionally, CPC requests that this Court, pursuant to section 1521(a)(6) of the Bankruptcy Code, extend the provisional relief granted on an interim basis in the Provisional Relief Order to final relief applicable in full during the pendency of the Chapter 15 Cases.

24. Section 1517(a) governs CPC’s request for entry of the Recognition Order. Section 1517(a) provides:

Subject to section 1506, after notice and a hearing, an order recognizing a foreign proceeding shall be entered if –

(1) such foreign proceeding for which recognition is sought is a foreign main proceeding or foreign non-main proceeding within the meaning of section 1502;

(2) the foreign representative applying for recognition is a person or body; and

(3) the petition meets the requirements of section 1515.

11 U.S.C. § 1517(a) (emphasis added). The Bankruptcy Code provides further that a foreign proceeding is a “foreign main proceeding” if it is pending in the country where the debtor has its center of main interests. See 11 U.S.C. § 1517(b)(1). A foreign proceeding is a “foreign nonmain proceeding” if it is pending in a country where the debtor has an establishment, which is further defined as “any place of operations where the debtor carries out a nontransitory economic activity.” See 11 U.S.C. §§ 1517(b)(2), 1502(2).

25. Here, the CBCA Proceeding is a foreign main proceeding under the Bankruptcy Code. As described in detail in the Baarda Declaration, the Kaplan Declaration, the Memorandum of Law, and the Interim Order, British Columbia, Canada is the Debtors’ center of main interests. Richmond, B.C. is the location of the Debtors’ headquarters and is the nerve center of the Debtors’ management, business and operations. Three of the four mills operated by the Debtors are also located in the province of British Columbia. All of the Debtors’ principal corporate, management, banking, and strategic functions are undertaken in Canada, and the Canadian and United States operations are integrated. Indeed, to properly function and operate, the United States Debtors are dependent upon the operations of the Canadian Debtors. As set forth in detail in the Memorandum of Law, CPC is a properly appointed “foreign representative” pursuant to section 101(24) of the Bankruptcy Code and the Chapter 15 Petitions meet the requirements of section 1515(c) of the Bankruptcy Code. As such, the Bankruptcy Code requirements for recognizing the CBCA Proceeding as a “foreign main proceeding” under the Bankruptcy Code are met.

26. In the alternative, the CBCA is at least a foreign nonmain proceeding under the Bankruptcy Code with respect to the U.S. Debtors, and a foreign main proceeding under the

Bankruptcy Code with respect to the Canadian Debtors. As described above, and in further detail in the Baarda Declaration, the Kaplan Declaration, and the Memorandum of Law, at a minimum, the U.S. Debtors carry out various nontransitory operation, managerial, financing and other economic activities in Canada. The integration of the operations of the U.S. Debtors and the Canadian Debtors, and the dependency of the U.S. Debtors upon the operations of the Canadian Debtors, support the conclusion that the economic activities of the U.S. Debtors in Canada are of a nontransitory nature. The U.S. Debtors therefore clearly maintain “establishments” in Canada, where the CBCA Proceeding is pending. As such, the Bankruptcy Code requirements for recognizing the CBCA Proceeding as a “foreign nonmain proceeding” under the Bankruptcy Code are met with respect to the U.S. Debtors.

27. Furthermore, the filing of these Chapter 15 Cases is intended to ensure an orderly administration of the Debtors’ financial affairs and recapitalization, under the auspices of the CBCA Proceeding and applicable Canadian law, in a manner that protects the interests of all creditors. Therefore, recognition of the CBCA Proceeding supports and promotes the policies of chapter 15 and the principles of international comity.

28. It is imperative that no ambiguity exists and that the Canadian Orders apply in full in the Chapter 15 Cases so that the Debtors’ United States assets may be administered efficiently and effectively by the Canadian Court, with the assistance of this Court. Accordingly, CPC requests, in furtherance of recognition of the CBCA Proceeding, that this Court give full force and effect to the Canadian Orders.

C. Recognition of the CBCA Proceeding is Consistent with Public Policy

29. Pursuant to section 1506 of the Bankruptcy Code, even if the requirements for recognition provided in section 1517 of the Bankruptcy Code are satisfied, recognition can nevertheless be denied where it would be “manifestly contrary to the public policy of the United

States.” 11 U.S.C. § 1506. This “public policy” exception has been narrowly construed to apply to only those “matters of fundamental importance to the [United States].” See, e.g., In re Ephedra Prods. Liab. Litig., 349 B.R. 333, 336 (S.D.N.Y. 2006) (quoting United Nations General Assembly, Guide to Enactment of the UNCITRAL Model Law on Cross-Border Insolvency, ¶ 89, U.N. Doc. A/CN.9/442 (1997)).

30. Here, nothing regarding the recognition of the CBCA Proceeding contravenes United States policy. Indeed, the international coordination of the Debtors’ restructuring will provide an efficient and fair process to all parties in interest while promoting comity and cross-border cooperation. Accordingly, section 1506 of the Bankruptcy Code presents no barrier to entry of the Provisional Relief Order and the Recognition Order.

31. Moreover, the policy and principles of international comity will be furthered by recognition of the CBCA Proceeding and enforcement of the Canadian Orders. At paragraph 50 of the Interim Order, the Canadian Court specifically requests the aid and assistance of this Court in giving effect to the Initial Order.

32. Finally, numerous bankruptcy courts in this district have granted relief similar to the general relief requested in this Motion. See, e.g., In re Angiotech Pharm., Inc., Case No. 11-10269 (KG) (Bankr. D. Del. Feb. 22, 2011); In re Mega Brands Inc., Case No. 10-10485 (CSS) (Bankr. D. Del. Mar. 23, 2010); In re EarthRenew IP Holdings, LLC, Case No. 10-13363 (Bankr. D. Del Oct. 22, 2010); In re Grant Forest Products, Case No. 10-11132 (Bankr. D. Del. Apr. 19, 2010); In re Fraser Papers, Inc., Case No. 09-12123 (KJC) (Bankr. D. Del. July 13, 2009); In re Biltrite Rubber (1984), Inc., Case No. 09-31432 (MAW) (Bankr. N.D. Ohio Apr. 2, 2009). CPC submits that such relief is similarly appropriate in this instance.

NOTICE

33. CPC proposes to notify all creditors of the filing of the Chapter 15 Petitions and CPC's request for entry of the Recognition Order in the form and manner set forth in the *Motion to Approve Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code, and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition* (the "Notice Motion"). In light of the nature of the relief requested herein, CPC submits that no other or further notice of this Motion is necessary or required.

CONCLUSION

WHEREFORE, for the reasons set forth herein and in the Baarda Declaration, CPC respectfully requests that the Court, after notice and a hearing, (a) enter the Provisional Relief Order, substantially in the form attached hereto as Exhibit A, (b) enter the Recognition Order, after notice and a hearing, substantially in the form attached hereto as Exhibit B or, in the alternative, enter the Recognition Order, after notice and a hearing, substantially in the form attached hereto as Exhibit C, and (c) grant any such other and further relief as this Court deems just and proper.

Dated: January 17, 2012
Los Angeles, CA

/s/ Van C. Durrer, II
Van C. Durrer, II (I.D. No. 3827)
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
300 South Grand Avenue
Los Angeles, California 90071
(213) 687-5000

Counsel for Catalyst Paper Corporation

EXHIBIT A

Proposed Provisional Relief Order

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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Joint Administration Pending
Debtors. ¹	:	
	:	Related Docket No. __

**ORDER GRANTING PROVISIONAL RELIEF FOR
RECOGNITION OF A FOREIGN PROCEEDING
PURSUANT TO 11 U.S.C. §§ 105(a), 1517, 1519, 1520, AND 1521**

Upon consideration of the motion (the “Motion”)² of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative for the above-captioned debtors (collectively, the “Debtors” and, together with their non-debtor affiliates, the “Company”) in a proceeding (the “CBCA Proceeding”) under Canada’s *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) pending before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number of the Debtors, as applicable, follow in parentheses: (i) 0606890 B.C. Ltd. (2214); (ii) Catalyst Paper Corporation (1171); (iii) Catalyst Paper Energy Holdings Inc. (3668); (iv) Catalyst Paper General Partnership (6288); (v) Catalyst Pulp and Paper Sales Inc. (2085); (vi) Catalyst Pulp Operations Ltd. (4565); (vii) Catalyst Pulp Sales Inc. (4021); (viii) Elk Falls Pulp and Paper Ltd. (9493); (ix) Pacifica Poplars Ltd. (6048); (x) Catalyst Paper Holdings Inc. (7177); (xi) Pacifica Papers U.S. Inc. (7595); (xii) Pacifica Poplars Inc. (9597); (xiii) Pacifica Papers Sales Inc. (7594); (xiv) Catalyst Paper (USA) Inc. (6890); (xv) Catalyst Paper (Recycling) Inc. (8358); (xvi) Catalyst Paper (Snowflake) Inc. (7015); (xvii) The Apache Railway Company (0017) (0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd., collectively, the “Canadian Debtors”) (Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, collectively, the “U.S. Debtors”). The Debtors’ executive headquarters’ addresses are 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

the United States Code (the “Bankruptcy Code”), seeking: (a) entry of this provisional order (this “Provisional Relief Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of a final order (the “Recognition Order”) after notice and a hearing (i) granting the petitions in these cases and recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code or, in the alternative, granting the Chapter 15 Petitions, recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors and recognizing the CBCA Proceeding as a foreign nonmain proceeding under section 1517 of the Bankruptcy Code with respect to the U.S. Debtors, and (ii) giving 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 Interim Order (as defined below) and any forthcoming final order approving the restructuring transaction to be effected through the CBCA “arrangement” (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court; and (c) granting such other and further relief as this Court deems just and proper; and upon the Baarda Declaration, the Kaplan Declaration, and the Memorandum of Law; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Motion in this District is proper pursuant to 28 U.S.C. § 1410(1); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and due and sufficient notice of the Motion having been given; and it appearing that no other or further notice need be given under the circumstances; and upon the record of the hearing on the Motion; and the Court having found and determined that the relief sought in the Motion is consistent with the purpose of

chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT
AND CONCLUSIONS OF LAW:

A. There is a substantial likelihood that CPC will be able to demonstrate that the Debtors are subject to a foreign main proceeding or, in the alternative, that the Canadian Debtors are subject to a foreign main proceeding and the U.S. Debtors are subject to a foreign non-main proceeding, and that the Chapter 15 Cases were properly commenced by a properly-appointed foreign representative.

B. The commencement or continuation of any action or proceeding in the United States with respect to the Debtors or any of the Debtors' assets or proceeds thereof should be enjoined pursuant to sections 105(a), 362, and 1519 of the Bankruptcy Code to permit the expeditious and economical administration of the Debtors' assets and recapitalization in the CBCA Proceeding, and the relief requested either will not cause an undue hardship, or any hardship to parties in interest is outweighed by the benefits of the relief requested in the Motion.

C. Unless the automatic stay is applied in these Chapter 15 Cases, there is a material risk that the Debtors' assets in the United States could be subject to efforts by creditors or other parties in interest to control or possess such assets. Such acts could: (a) interfere with and cause harm to the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code; (b) interfere with and cause harm to the Debtors' efforts to administer their assets and reorganize pursuant to the CBCA Proceeding; and (c) undermine CPC's efforts to achieve an equitable result for the benefit of all of the Debtors' creditors. Accordingly, there is a material

risk that the Debtors may suffer immediate and irreparable injury for which they will have no adequate remedy at law and therefore it is necessary that the Court enter this Provisional Relief Order.

D. CPC has demonstrated that without the protection of section 365(e) of the Bankruptcy Code, there is a material risk that counterparties to certain of the Debtors' contracts may take the position that the commencement of the CBCA Proceeding or the Chapter 15 Cases authorizes them to terminate such contracts or accelerate obligations thereunder. Such termination or acceleration will severely impair the Debtors' restructuring efforts and result in irreparable damage to the value of the Debtors' estates and substantial harm to the Debtors' creditors and other parties in interest.

E. CPC has demonstrated that no injury will result to any party that is greater than the harm to the Debtors' business, assets, and property in the absence of the requested relief.

F. The interests of the public will be served by this Court's entry of this Provisional Relief Order.

Based on the foregoing findings of fact and conclusions of law,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. Pending disposition of the Chapter 15 Petitions and the Motion for a final order (the "Recognition Date"), pursuant to sections 1519(a)(1) – (a)(3) and 1521(a)(7) of the Bankruptcy Code, section 362 of the Bankruptcy Code is applicable to the Debtors and the property of the Debtors within the territorial jurisdiction of the United States in the Chapter 15 Cases.

3. Section 365(e) of the Bankruptcy Code is applicable to the Debtors in these Chapter 15 Cases. Any provision of the type described in section 365(e)(1) is unenforceable against the Debtors until such time as an order disposing of the Chapter 15 Petitions is entered.

4. Upon entry of this Provisional Order no creditor or counterparty affected by the CBCA Proceeding, including but not limited to the 2014 Noteholders and 2016 Noteholders (each as defined in the Baarda Declaration), or any party acting on their behalf, shall have the right to make, commence, or enforce any rights, claims or remedies in respect of or arising from any obligations under their respective agreements, guarantees or security documents to which the Debtors are party.

5. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) and 1521(d) of the Bankruptcy Code.

6. CPC, in connection with its appointment as the foreign representative, is entitled to the protections and rights available pursuant to sections 1519(a)(1), (a)(2) and (a)(3) of the Bankruptcy Code, to the extent such relief is not inconsistent with the Canadian Orders.

7. Pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, made applicable to these proceedings pursuant to Bankruptcy Rule 7065, no notice to any person is required prior to entry and issuance of this Provisional Relief Order. The security provisions of Rule 65(c) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7065, are waived.

8. Notice of: (a) the filing of the Chapter 15 Petitions and the Motion; (b) this Court's entry of this Provisional Relief Order; (c) the deadline to object to this Court's entry of

the Recognition Order; and (d) the hearing for this Court to consider the Chapter 15 Petitions and entry of the Recognition Order, shall be served in accordance with the order (the “Notice Order”) of this Court approving the *Motion to Approve Order (I) Specifying Form and Manner of Service of Notice of Filing of Petitions and Other Pleadings Pursuant to Chapter 15 of the Bankruptcy Code, and (II) Scheduling a Hearing on Chapter 15 Petitions for Recognition*. Service of the Chapter 15 Petitions, the Motion and this Provisional Relief Order (the “Petition Documents”) in accordance with the Notice Order shall constitute due and sufficient notice of the Petition Documents and any relief of this Court associated therewith.

9. The Petition Documents shall also be made publicly available upon request at the offices of CPC’s counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 S. Grand Ave., Suite 3400, Los Angeles, CA 90071, Attn: Annie Li, Esq.

10. A hearing to consider entry of the Recognition Order shall be held on **February __, 2012 at _____ (prevailing Eastern Time)** (the “Recognition Hearing”). Any responses or objections to the Chapter 15 Petitions or the entry of the Recognition Order shall (a) be made in writing, describe the basis therefore, and indicate the nature and extent of the respondent’s interests in the Debtors’ cases, and (b) be filed with the Office of the Clerk of the Court, 824 Market Street, Third Floor, Wilmington, Delaware 19801, and served upon: (A) counsel for CPC as foreign representative: Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, CA 90071, Attn: Van C. Durrer, II, Esq.; (B) counsel for the Debtors: Blake, Cassels & Graydon LLP, 595 Burrard Street, P.O. Box 49314, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3, Canada, Attn: William C. Kaplan,

Esq.; (C) counsel for certain 2016 Noteholders³: Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036-6745, Attn: Michael Stamer, Esq.; Stephen Kuhn, Esq., Meredith Lahaie, Esq; (D) counsel for certain 2014 Noteholders⁴: Goodmans LLP, Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, ON M5H 2S7, Canada, Attn: Robert Chadwick, Esq., Melaney Wagner, Esq.; (E) JPMorgan Chase, as ABL facility agent: (i) McMillan LLP, Brookfield Place, Suite 4400, 181 Bay Street, Toronto, ON M5J 2T3, Canada, Attn: R.D. Jeffrey Rogers, Esq., (ii) JPMorgan Chase Bank, N.A., Toronto Branch, c/o JPMorgan Chase Bank, N.A., 3 Park Plaza, Suite 900, Irvine, CA 92614, Attn: Annaliese Fisher, (iii) JPMorgan Chase Bank, N.A., Toronto Branch, 200 Bay Street, South Tower, Suite 1800, Toronto, Ontario M5J 2J2, Canada, Attn: Agostino Marchetti; (F) the Office of the United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: David Buchbinder, Esq., on or before **4:00 p.m. (prevailing Eastern Time) on February __, 2012.**

11. The date and time of the Recognition Hearing, in CPC's sole discretion, may be adjourned to a subsequent date without further notice except for an in-court announcement on the record at the Recognition Hearing, or a filing by CPC on the docket of the Chapter 15 Cases, of the date and time to which the Recognition Hearing has been adjourned.

12. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Provisional Relief Order shall be effective immediately and enforceable upon its entry and shall remain effective until either (i) entry of an order recognizing the CBCA Proceeding and, pursuant to section 1521(a)(6), extending the relief granted herein, or (ii) entry of an order

³ Representing an unaffiliated group of holders of 2016 Notes who have executed the Restructuring Support Agreement (attached as Exhibit C to the Baarda Declaration).

⁴ Representing a group of 2014 Noteholders who have executed the Restructuring Support Agreement (attached as Exhibit C to the Baarda Declaration).

denying recognition to the CBCA Proceeding; (b) CPC is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Provisional Relief Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Provisional Relief Order.

13. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of this Provisional Relief Order.

Dated: January __, 2012
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Proposed Recognition Order

**(Recognizing CBCA Proceeding as Foreign Main Proceeding
With Respect to All Debtors)**

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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12-10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Joint Administration Pending
Debtors. ¹	:	
	:	Related Docket No. __

**ORDER GRANTING FINAL RELIEF FOR
RECOGNITION OF A FOREIGN MAIN PROCEEDING
PURSUANT TO 11 U.S.C. §§ 105(a), 1517, 1519, 1520, AND 1521**

Upon consideration of the verified chapter 15 petitions commencing these cases and the motion (the “Motion”)² of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) in a proceeding (the “CBCA Proceeding”) Canada’s *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) pending before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the United States Code (the “Bankruptcy Code”), seeking: (a) entry of a provisional order (the “Provisional Relief Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number of the Debtors, as applicable, follow in parentheses: (i) 0606890 B.C. Ltd. (2214); (ii) Catalyst Paper Corporation (1171); (iii) Catalyst Paper Energy Holdings Inc. (3668); (iv) Catalyst Paper General Partnership (6288); (v) Catalyst Pulp and Paper Sales Inc. (2085); (vi) Catalyst Pulp Operations Ltd. (4565); (vii) Catalyst Pulp Sales Inc. (4021); (viii) Elk Falls Pulp and Paper Ltd. (9493); (ix) Pacifica Poplars Ltd. (6048); (x) Catalyst Paper Holdings Inc. (7177); (xi) Pacifica Papers U.S. Inc. (7595); (xii) Pacifica Poplars Inc. (9597); (xiii) Pacifica Papers Sales Inc. (7594); (xiv) Catalyst Paper (USA) Inc. (6890); (xv) Catalyst Paper (Recycling) Inc. (8358); (xvi) Catalyst Paper (Snowflake) Inc. (7015); (xvii) The Apache Railway Company (0017) (Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, collectively, the “U.S. Debtors”). The Debtors’ executive headquarters’ addresses are 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “Recognition Order”) after a notice and a hearing (i) granting the petitions in these cases and recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code and (ii) giving 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 Interim Order (as defined below) and any forthcoming final order approving the restructuring transaction to be effected through the CBCA “arrangement” (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, and, (c) such other and further relief as this Court deems just and proper; and upon the First-Day Declaration, the Kaplan Declaration and the Memorandum of Law; and upon the Provisional Relief Order previously entered by this Court; and the Court having considered the any objections and replies; and any objections to the Motion that have not been withdrawn or resolved having been overruled; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Motion in this District is proper pursuant to 28 U.S.C. § 1410(1); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that notice of the Motion has been given as set forth in the Motion and that such notice is adequate and no other or further notice need be given under the circumstances; and upon the record of the hearing on the Motion; and the Court having found and determined that the relief sought in the Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND
CONCLUSIONS OF LAW:

A. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

B. The Chapter 15 Cases were properly commenced pursuant to sections 1504 and 1515 of the Bankruptcy Code.

C. The Chapter 15 Petitions meet the requirements of section 1515 of the Bankruptcy Code.

D. The CBCA Proceeding is entitled to recognition by this Court pursuant to section 1517 of the Bankruptcy Code.

E. The CBCA Proceeding pending in the Canadian Court, in the location that is the Debtors' center of main interest, constitutes a foreign main proceeding pursuant to section 1502(4) of the Bankruptcy Code and is entitled to recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code.

F. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial Order, to all of the relief provided pursuant to section 1520 on the Bankruptcy Code.

G. The relief granted herein is necessary and appropriate, in the interest of the public and international comity, consistent with the public policy of the United States, warranted pursuant to sections 1520 and 1521 of the Bankruptcy Code, and will not cause any hardship to any parties in interest that is not outweighed by the benefits of the relief granted.

Based on the foregoing findings of fact and conclusions of law,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. The Chapter 15 Petitions are granted, the CBCA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code and orders that have been or will be made or entered therein are hereby recognized for all purposes under chapter 15 of the Bankruptcy Code, regardless of whether expressly discussed below.
3. The Canadian Orders, including any extensions or amendments thereto, are hereby enforced and recognized on a final basis and given full force and effect in the United States.
4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. Specifically, the automatic stay provisions of section 362 and the provisions of section 365 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court.
5. Upon entry of this Order no creditor or counterparty affected by the CBCA Proceeding, including but not limited to the 2014 Noteholders and 2016 Noteholders (each as defined in the First-Day Declaration) or any person acting on their behalf, shall have the right to make, commence, or enforce any rights, claims or remedies in respect of or arising from any obligations under their respective agreements, guarantees or security documents to which the Debtors are party.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted pursuant to the Provisional Relief Order pursuant to section 1519(a) of the Bankruptcy Code is hereby extended on a final basis.

7. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) or 1521(d) of the Bankruptcy Code.

8. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CBCA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The Chapter 15 Petitions, the Motion, the Provisional Relief Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071, Attn: Annie Li, Esq.

10. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) CPC is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Recognition Order.

11. This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of this Recognition Order, any requests for additional relief or any adversary proceeding brought in and through the Chapter 15 Cases, and any request by an entity for relief from the provisions of this Recognition Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: February __, 2012
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

Proposed Recognition Order

**(Recognizing CBCA Proceeding as
Foreign Main Proceeding With Respect to Canadian Debtors
and as Foreign Nonmain Proceeding With Respect to U.S. Debtors)**

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

	X	
	:	Chapter 15
In re:	:	
	:	Case No. 12- 10221 (PJW)
CATALYST PAPER CORP., <u>et al.</u> ,	:	
	:	Joint Administration Pending
Debtors. ¹	:	
	:	Related Docket No. __

**ORDER GRANTING FINAL RELIEF FOR
RECOGNITION OF A FOREIGN MAIN PROCEEDING
PURSUANT TO 11 U.S.C. §§ 105(a), 1517, 1519, 1520, AND 1521**

Upon consideration of the verified chapter 15 petitions commencing these cases and the motion (the “Motion”)² of Catalyst Paper Corporation (“CPC”), in its capacity as the authorized foreign representative of the above-captioned debtors (collectively, the “Debtors”) in a proceeding (the “CBCA Proceeding”) Canada’s *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the “CBCA”) pending before the Supreme Court of British Columbia (the “Canadian Court”), pursuant to sections 105(a), 1517, 1519, 1520, and 1521 of title 11 of the

¹ The last four digits of the United States Tax Identification Number or Canadian Business Number of the Debtors, as applicable, follow in parentheses: (i) 0606890 B.C. Ltd. (2214); (ii) Catalyst Paper Corporation (1171); (iii) Catalyst Paper Energy Holdings Inc. (3668); (iv) Catalyst Paper General Partnership (6288); (v) Catalyst Pulp and Paper Sales Inc. (2085); (vi) Catalyst Pulp Operations Ltd. (4565); (vii) Catalyst Pulp Sales Inc. (4021); (viii) Elk Falls Pulp and Paper Ltd. (9493); (ix) Pacifica Poplars Ltd. (6048); (x) Catalyst Paper Holdings Inc. (7177); (xi) Pacifica Papers U.S. Inc. (7595); (xii) Pacifica Poplars Inc. (9597); (xiii) Pacifica Papers Sales Inc. (7594); (xiv) Catalyst Paper (USA) Inc. (6890); (xv) Catalyst Paper (Recycling) Inc. (8358); (xvi) Catalyst Paper (Snowflake) Inc. (7015); (xvii) The Apache Railway Company (0017) (0606890 B.C. Ltd., Catalyst Paper Corporation, Catalyst Paper Energy Holdings Inc., Catalyst Paper General Partnership, Catalyst Pulp and Paper Sales Inc., Catalyst Pulp Operations Ltd., Catalyst Pulp Sales Inc., Elk Falls Pulp and Paper Ltd., and Pacifica Poplars Ltd., collectively, the “Canadian Debtors”) (Catalyst Paper Holdings Inc., Pacifica Papers U.S. Inc., Pacifica Poplars Inc., Pacifica Papers Sales Inc., Catalyst Paper (USA) Inc., Catalyst Paper (Recycling) Inc., Catalyst Paper (Snowflake) Inc. and The Apache Railway Company, collectively, the “U.S. Debtors”). The Debtors’ executive headquarters’ addresses are 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3, Canada; 2101 Fourth Avenue, Suite 1950, Seattle, WA 98121; and Spur 277 N., Snowflake, AZ 85937.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.

United States Code (the “Bankruptcy Code”), seeking: (a) entry of a provisional order (the “Provisional Relief Order”) applying sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases, pursuant to sections 1519(a)(1) – (a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code; (b) entry of this final order (this “Recognition Order”) after a notice and a hearing (i) granting the petitions in these cases (ii) recognizing the CBCA Proceeding as a foreign main proceeding under section 1517 of the Bankruptcy Code with respect to the Canadian Debtors and recognizing the CBCA Proceeding as a foreign nonmain proceeding with respect to the U.S. Debtors and (iii) giving 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 Interim Order (as defined below) and any forthcoming final order approving the restructuring transaction to be effected through the CBCA “arrangement” (collectively, the “Canadian Orders”), including any extensions or amendments thereof authorized by the Canadian Court, and, (c) such other and further relief as this Court deems just and proper; and upon the First-Day Declaration, the Kaplan Declaration and the Memorandum of Law; and upon the Provisional Relief Order previously entered by this Court; and the Court having considered the any objections and replies; and any objections to the Motion that have not been withdrawn or resolved having been overruled; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of the Chapter 15 Cases and the Motion in this District is proper pursuant to 28 U.S.C. § 1410(1); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that notice of the Motion has been given as set forth in the Motion and that such notice is adequate and no other or further notice need be given under the circumstances; and upon the record of the hearing on the Motion; and the Court having found and determined that the relief sought in the

Motion is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. CPC is a person within the meaning of section 101(41) of the Bankruptcy Code and is the duly appointed foreign representative of each of the Debtors within the meaning of section 101(24) of the Bankruptcy Code.

B. The Chapter 15 Cases were properly commenced pursuant to sections 1504 and 1515 of the Bankruptcy Code.

C. The Chapter 15 Petitions meet the requirements of section 1515 of the Bankruptcy Code.

D. The CBCA Proceeding is entitled to recognition by this Court pursuant to section 1517 of the Bankruptcy Code.

E. With respect to the Canadian Debtors, the CBCA Proceeding pending in the Canadian Court, in the location that is the Canadian Debtors' center of main interest, constitutes a foreign main proceeding pursuant to section 1502(4) of the Bankruptcy Code and is entitled to recognition as a foreign main proceeding pursuant to section 1517(b)(1) of the Bankruptcy Code.

F. With respect to the U.S. Debtors, the CBCA Proceeding pending in the Canadian Court, in the location where the U.S. Debtors each have an establishment within the meaning of section 1502(2) of the Bankruptcy Code, constitutes a foreign nonmain proceeding pursuant to section 1502(5) of the Bankruptcy Code.

G. CPC as a foreign representative is entitled, to the extent not inconsistent with the Initial Order, to all of the relief provided pursuant to section 1520 on the Bankruptcy Code.

H. The relief granted herein is necessary and appropriate, in the interest of the public and international comity, consistent with the public policy of the United States, warranted pursuant to sections 1520 and 1521 of the Bankruptcy Code, and will not cause any hardship to any parties in interest that is not outweighed by the benefits of the relief granted.

Based on the foregoing findings of fact and conclusions of law,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.
2. The Chapter 15 Petitions are granted. The CBCA Proceeding is hereby recognized as a “foreign main proceeding” pursuant to section 1517(b)(1) of the Bankruptcy Code with respect to the Canadian Debtors. The CBCA Proceeding is hereby recognized as a “foreign nonmain proceeding” pursuant to section 1517(b)(2) of the Bankruptcy Code with respect to the U.S. Debtors. Orders that have been or will be made or entered in the CBCA Proceeding are hereby recognized for all purposes under chapter 15 of the Bankruptcy Code, regardless of whether expressly discussed below.
3. The Canadian Orders, including any extensions or amendments thereto, are hereby enforced and recognized on a final basis and given full force and effect in the United States.
4. All relief afforded a foreign main proceeding pursuant to section 1520 of the Bankruptcy Code is hereby granted without limitation. To the extent not automatically conferred upon certain of the Debtors, all relief afforded a foreign main proceeding pursuant to

section 1520 of the Bankruptcy Code is hereby granted without limitation through the operation of section 1521 of the Bankruptcy Code. Specifically, the automatic stay provisions of section 362 and the provisions of section 365 of the Bankruptcy Code apply with respect to the Debtors and any property of the Debtors that is within the territorial jurisdiction of the United States throughout the duration of these Chapter 15 Cases or until otherwise ordered by this Court.

5. Upon entry of this Order no creditor or counterparty affected by the CBCA Proceeding, including but not limited to the 2014 Noteholders and 2016 Noteholders (each as defined in the First-Day Declaration) or any person acting on their behalf, shall have the right to make, commence, or enforce any rights, claims or remedies in respect of or arising from any obligations under their respective agreements, guarantees or security documents to which the Debtors are party.

6. Pursuant to section 1521(a)(6) of the Bankruptcy Code, all other prior relief granted pursuant to the Provisional Relief Order pursuant to section 1519(a) of the Bankruptcy Code is hereby extended on a final basis.

7. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding against any party to the extent set forth in sections 362(b) or 1521(d) of the Bankruptcy Code.

8. No action taken by CPC, the Debtors, or each of their successors, agents, representatives, advisors, or counsel, in preparing, disseminating, applying for, implementing, or otherwise acting in furtherance of or in connection with the CBCA Proceeding, this Recognition Order, or the Chapter 15 Cases or any adversary proceeding therein, or any further proceeding commenced thereunder, shall be deemed to constitute a waiver of the immunity afforded such person under sections 306 and 1510 of the Bankruptcy Code.

9. The Chapter 15 Petitions, the Motion, the Provisional Relief Order and this Recognition Order shall be made publicly available by CPC upon request to its counsel, Skadden, Arps, Slate, Meagher & Flom LLP, 300 South Grand Avenue, Suite 3400, Los Angeles, California 90071, Attn: Annie Li, Esq.

10. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Recognition Order shall be effective immediately and enforceable upon its entry; (b) CPC is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Recognition Order; and (c) CPC is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Recognition Order.

11. This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of this Recognition Order, any requests for additional relief or any adversary proceeding brought in and through the Chapter 15 Cases, and any request by an entity for relief from the provisions of this Recognition Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: February __, 2012
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

File a Motion:[12-10221-PJW Catalyst Paper Corporation](#)

Type: bk

Chapter: 15 v

Office: 1 (Delaware)

Assets: y

Judge: PJW

Case Flag: VerifDue

U.S. Bankruptcy Court**District of Delaware**

Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 1/17/2012 at 9:46 PM EST and filed on 1/17/2012

Case Name: Catalyst Paper Corporation**Case Number:** [12-10221-PJW](#)**Document Number:** [6](#)**Docket Text:**

Motion to Authorize *Provisional and Final Relief for Recognition of a Foreign Proceeding Pursuant to 11 U.S.C. Sections 105(a), 1517, 1519, 1520, and 1521* Filed by Catalyst Paper Corporation.

(Attachments: # (1) Exhibit A - Proposed Order for Provisional Relief# (2) Exhibit B - Proposed Recognition Order# (3) Exhibit C - Proposed Recognition Order) (Durrer, Van)

The following document(s) are associated with this transaction: