IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 15
CATALYST PAPER CORP., et al.,	:	Case No. 12-10221 (PJW)
Debtors.[1]	:	Jointly Administered
	:	**Hearing Date: TBD** **Objections Due: TBD**

MOTION FOR ORDER (I) RECOGNIZING AND ENFORCING CCAA SANCTION ORDER, (II) APPROVING SETTLEMENT AMONG THE DEBTORS AND 2014 NOTEHOLDERS, AND (III) APPROVING THE SALE OF SECURITIES IN EXCHANGE FOR CLAIMS PURSUANT TO BANKRUPTCY RULES 2002 AND 9019 AND 11 U.S.C. §§ 105(a), 363, 1507, 1525, AND 1527

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 "CCAA Proceeding") under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and *Business Corporations Act*, S.B.C. 2002, c.57, before the Supreme Court of British Columbia (the "Canadian Court"), hereby moves (the "Motion") this Court, pursuant to sections 105(a), 363, 1507, 1525, and 1527 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code") and Rules 2002 and 9019 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules") for entry of an order, substantially in the form annexed hereto as Exhibit A (the "U.S. Sanction Order") (i) recognizing and giving effect in the United States to the order of the Canadian Court sanctioning, authorizing,

[1] These jointly administered cases are those of the following Debtors: 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") in addition to 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").

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and approving the Second Amended and Restated Plan of Compromise and Arrangement (the "Second Amended Plan") of the Debtors (as amended, the "CCAA Sanction Order"),[2] (ii) approving the Settlement and Support Agreement dated June 22, 2012 (the "Settlement Agreement") by and among CPC and certain of its subsidiaries and affiliates and certain holders or investment advisers or managers of discretionary accounts that hold 7.375% Senior Notes due March 1, 2014 (the "Supporting 2014 Noteholders") signatory thereto, (iii) approving and declaring fair and reasonable the sale of securities to certain creditors in exchange for their claims against CPC, and (iv) granting related relief. In addition, CPC relies on the Tenth Declaration of Brian Baarda (the "Tenth Baarda Declaration"). In further support of the relief requested herein, CPC respectfully represents as follows:

RELIEF REQUESTED

1. By this Motion, CPC seeks the type of relief that chapter 15 of the Bankruptcy Code was designed to provide— international cooperation and assistance to a foreign court attempting to implement a cross-border restructuring. Indeed, here, CPC is seeking recognition and enforcement of the Canadian Court's order sanctioning a consensual restructuring among stakeholders located in Canada and the United States. This restructuring, already approved by more than 99% of the Debtors' creditors, would effectuate a recapitalization of the Debtors' secured debt by reducing first-lien indebtedness of the Company by approximately $140 million upon emergence. Further, the Second Amended Plan would settle various unsecured claims so as to ensure more efficient operations going forward.

2. In light of the above benefits to the Second Amended Plan and the overwhelming consensus among creditor constituencies, the Canadian court approved the Second Amended Plan

[2] A true and correct copy of the CCAA Sanction Order is attached to the Tenth Baarda Declaration as Exhibit A.

and determined that it was "in the best interests of the Petitioner Parties and the Persons affected by the Plan." Notwithstanding this approval, this Court's recognition and enforcement of the CCAA Sanction Order is still a fundamental condition to the implementation of the Second Amended Plan. Accordingly, CPC respectfully requests that this Court enter the proposed U.S. Sanction Order providing such recognition and enforcement in the United States in addition to providing related approvals. Specifically, CPC seeks entry of an order (a) recognizing and giving effect in the United States to the CCAA Sanction Order, (ii) approving the Settlement Agreement, (iii) approving and declaring fair and reasonable the sale of securities to certain creditors in exchange for their claims against CPC pursuant to the Second Amended Plan, and (iv) granting related relief as this Court deems just and proper. This type of cross-border coordination is crucial to the successful emergence of the Debtors, and enforcement of the Second Amended Plan will ensure a fair and efficient conclusion to both the CCAA Proceeding and the Chapter 15 Cases.

JURISDICTION AND VENUE

3. 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).

4. Venue is proper in this district pursuant to 28 U.S.C. § 1410.

The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a), 363, 1507, 1525, and 1527.

BACKGROUND

A. General Background

5. On January 17, 2012 (the "Chapter 15 Petition Date"), CPC filed and served notice of its motion for protection (the "CBCA Proceeding") under *Canada's Canada Business Corporations Act*, R.S.C. 1985, c. C-44 before the Canadian Court. On the Chapter 15 Petition Date,

CPC also commenced the Debtors' chapter 15 cases by filing petitions pursuant to sections 1504 and 1515 of the Bankruptcy Code (collectively, the "Chapter 15 Cases").

6. CPC commenced the CBCA Proceeding in the Canadian Court, having reached a preliminary consensual arrangement with the representatives of various claimholders. The terms of that arrangement are reflected in the original restructuring support agreement dated January 14, 2012 (the "Original RSA"). CPC dismissed the CBCA Proceeding when the Original RSA parties were unable to obtain the required support from the other relevant stakeholders.

7. On January 31, 2012, CPC commenced the CCAA Proceeding, and the Canadian Court entered an initial order dated January 31, 2012 (as amended, the "Initial CCAA Order"), appointing the independent fiduciary PricewaterhouseCoopers as monitor (the "Monitor") of the CCAA Proceeding and authorizing CPC to serve as foreign representative of the Debtors.

8. On March 5, 2012, this Court entered the *Order Granting Final Relief for Recognition of a Foreign Main Proceeding Pursuant to 11 U.S.C. §§ 105(a), 1517, 1519, 1520, and 1521* [Docket No. 89] (the "U.S. Recognition Order") recognizing the CCAA Proceeding as a foreign main proceeding.

9. On March 11, 2012, the Company entered into an amended restructuring support agreement (as further amended, the "Amended RSA") with the representatives of certain holders of the unsecured 7.375% senior notes due March 1, 2014 and representatives of certain holders of the secured 11% senior notes due December 15, 2016 (collectively, the "Supporting Noteholders"). A true and correct copy of the Amended RSA, and relevant amendments, is attached to the Tenth Baarda Declaration as Exhibit D. Pursuant to the Amended RSA, the Supporting Noteholders and the Company began pursuing a restructuring of the Company's debt obligations under the auspices of a CCAA plan of compromise and arrangement. See Amended RSA, §§ 3.1, 3.2; Tenth Baarda Declaration, ¶ 5.

10. On March 22, 2012, the Debtors filed its first Plan of Compromise and Arrangement (the "Plan") with the Canadian Court. Tenth Baarda Declaration, ¶ 6. On that date, the Canadian Court issued an order dated March 22, 2012 (the "First Meeting Order"), authorizing the Debtors to file the Plan and establishing a process by which impaired creditors of the Debtors would vote on the Plan at the scheduled creditors' meeting to be held in Richmond, Canada (the "Creditors' Meeting"). Id.

11. Subsequently, the Debtors filed the Amended Plan of Compromise and Arrangement dated May 15, 2012 (the "Amended Plan"), which was the plan considered at the Creditors' Meeting held on May 23, 2012. Id. Notably, the Amended Plan was not approved at the Creditors' Meeting. Id. While a sufficient number and amount of secured claims voted in favor of the Amended Plan, there was insufficient support among unsecured creditors. Id. In fact, the majority of the unsecured 7.375% senior notes due March 1, 2014 (the "2014 Noteholders") opposed the Amended Plan, which led to the Amended Plan's failure at the Creditors' Meeting. Id.

12. On June 14, 2012, in a renewed attempt to obtain a consensual arrangement and after significant negotiations with stakeholders, the Company filed the Second Amended Plan. A true and correct copy of the Second Amended Plan, as approved by the Canadian Court in the CCAA Sanction Order, is attached to the Tenth Baarda Declaration as Exhibit B. On June 18, 2012, the Canadian Court entered the Supplemental Meetings Order authorizing and directing the Debtors to convene another meeting of the creditors on June 25, 2012 (the "Supplemental Creditors' Meeting") to consider the Second Amended Plan. Tenth Baarda Declaration, ¶ 7.

B. Approval of the Second Amended Plan

13. At the Supplemental Creditors' Meeting, well over the statutory minimum of creditors voted in favor of the Second Amended Plan.[3] In fact, over 99% of secured Affected Creditors (with allowed claims who voted), including the 2016 Noteholders, voted in favor of the Second Amended Plan, representing over 99% of the value of such affected, secured claims. See id., ¶ 8. Similarly, of the unsecured creditors on a combined basis, over 99% of the unsecured Affected Creditors (with allowed claims who voted), voted in favor of the Second Amended Plan, representing over 99% of the value of such affected, unsecured claims. Id. Importantly, the vote of the Supporting 2014 Noteholders in favor of the Second Amended Plan was vital to the Second Amended Plan winning approval. Id.

14. The Canadian Court held a hearing with respect to the Second Amended Plan on June 28, 2012, at which time the Canadian Court sanctioned, authorized, and approved the Second Amended Plan. See id., ¶ 9. The CCAA Sanction Order was subsequently entered. See id. In the CCAA Sanction Order, the Canadian Court expressly noted that the Second Amended Plan and the transactions contemplated thereby are "procedurally and substantively fair and reasonable, not oppressive and are in the best interests of the Petitioner Parties and the Persons affected by the Plan." See CCAA Sanction Order, at ¶ 10. Notwithstanding the entry of the CCAA Sanction Order, the Second Amended Plan will not become effective until all of the conditions of plan implementation have been satisfied. See Second Amended Plan, § 5.1. One such condition is that this Court enters an order recognizing and enforcing the CCAA Sanction Order. Id.

[3] Under the CCAA, at least two-thirds in value and more than fifty-percent in number of voting claims within each class of creditors must vote in favor of plan of compromise and arrangement in order to be considered successful and brought before the Canadian Court for approval.

C. The Terms of the Second Amended Plan[4]

15. In general, the Second Amended Plan, which was drafted pursuant and subject to the Amended RSA, is intended to recapitalize the Company's secured debt and settle all unsecured, prepetition debt. Second Amended Plan, § 2.2. In fact, under its terms the Debtors' secured debt would be reduced by approximately $140 million upon emergence. See Tenth Baarda Declaration, ¶ 10.

16. Prepared on a substantively consolidated basis, the Second Amended Plan treats claims against specific Debtors as claims against all Debtors, and treats the assets of each Debtor as assets of all entities. Id., ¶ 11. Further, under the Second Amended Plan, only holders of impaired claims (the "Affected Creditors") were entitled to vote; creditors holding unimpaired claims (the "Unaffected Creditors") are not impacted by the Second Amended Plan and were not entitled to vote at the Supplemental Creditors' Meeting. Id.

17. The claims of Unaffected Creditors include the following: (a) postpetition Claims (other than Restructuring Claims and Directors/Officers Claims); (b) a Claim secured by a Charge; (c) Claims arising from a cause of action for which the Debtors are covered by insurance; (d) any ABL Facility Claim; (e) any DIP Facility Claim; (f) any Intercompany Claim; (g) any Claim referred to in sections 6(3), 6(5) and 6(6) of the CCAA; (h) any Governmental Priority Claim; (i) any Claims with respect to reasonable fees and disbursements of counsel of any Debtor, the Monitor, a Claims Officer, any Assistant; (j) any Claim of any employee of the Debtors, but only in respect of a Claim for wages, including vacation pay and banked time, (k) any Claim secured by a Lien other than the First Lien Notes Claims; and (l) Claims satisfied, cured or rectified on or before the date of the CCAA Sanction Order. Second Amended Plan, § 1.1.

[4] Capitalized terms used, but not otherwise defined in this section have the meanings ascribed to them in the Second Amended Plan. To the extent there are any inconsistencies between this summary and the Second Amended Plan, the terms of the Second Amended Plan control.

18. A summary of the Affected Creditors' claims and the treatment of such claims under the Second Amended Plan is provided below:[5]

(a) **First Lien Notes Claims Class**: The claims of holders of the secured 11% senior notes due December 15, 2016 (collectively, the "2016 Noteholders") for principal and accrued interest amount to approximately US$433.7 million. The distribution to this class includes: (i) US$250 million in New First Lien Notes and (ii) 100% of the new common shares of the reorganized CPC (the "New Common Shares") subject to 4% dilution by Equity Election Creditors. See Second Amended Plan, § 3.2, Monitor's 17th Report, at 4, 7.

(b) **Unsecured Claims Class**:

(i) The claims of 2014 Noteholders for principal and accrued interest amount to approximately US$263.2 million. The claims of general unsecured creditors (excluding the Convenience Creditors and Cash Election Creditors[6]) (collectively, the "General Unsecured Proceeds Creditors") amount to approximately US$176.8 million. The distribution to the 2014 Noteholders and the General Unsecured Proceeds Creditors will be either a *pro rata* share of (x) 50% of the net proceeds from the eventual sale of the Company's rights, title, and interests in Powell River Energy Inc., Powell River Energy Limited Partnership, and certain related indebtedness (the "PREI Proceeds Pool")[7] or (y) up to 600,000 New Common Shares (i.e., 4% of the New Common Shares). See id. General Unsecured Proceeds Creditors have the option to choose between the foregoing forms of consideration by delivering a written election to the Monitor (or, in the case of the 2014 Noteholders, to such holder's solicitation agent) on or before 21 days following entry of the CCAA Sanction Order. See Second Amended Plan, § 6.3.

(ii) The claims of Convenience Creditors and general unsecured creditors that elected to deem their claims equivalent to CAD$10,000 at the Supplemental Creditors' Meeting (collectively, the "Cash Election Creditors" and together with the Convenience Creditors, collectively, the "General Unsecured Cash

[5] The estimates and figures provided in this summary rely on the information provide in the Monitor's Seventeenth Report to the Court dated June 17, 2012 (the "Monitor's 17th Report") filed with the Canadian Court. See Monitor's 17th Report, at 4. A true and correct copy of the Monitor's 17th Report is attached to the Tenth Baarda Declaration as Exhibit D.

[6] The Convenience Creditors hold claims equal to or less than CAD$10,000. See Second Amended Plan, § 1.1. The Convenience Claims that do not elect to receive equity may receive cash distributions, but the aggregate amount to satisfy such claims is capped at CAD$2.5 million (the "Maximum Convenience Claims Pool"). Id. The Maximum Convenience Claims Pool should be more than sufficient to satisfy such claims as the total amount of Convenience Claims is currently estimated to be US$900,000. See Monitor's 17th Report, at 4.

[7] The other 50% of proceeds from the eventual sale of the Company's rights, title, and interests in Powell River Energy Inc., Powell River Energy Limited Partnership, and certain related indebtedness will revert back to the Debtors' estates. See Tenth Baarda Declaration, at n.4.

Creditors") amount to approximately US$3.1 million. The distribution to these creditors will be cash (as supplied by the Maximum Convenience Claims Pool). See id.

(c) **Pre-existing Equity**. Equity interests existing before the commencement of the CCAA Proceeding will be cancelled. See Second Amended Plan, § 2.4

19. The sale of the Company's rights, title, and interests in Powell River Energy Inc., Powell River Energy Limited Partnership, and certain related indebtedness (the "PREI Interests") is expected to complete after entry of the U.S. Sanction Order, however, the timing is dependant on market conditions and finding a suitable transaction. See Tenth Baarda Declaration, ¶ 12. The Monitor has estimated that the value of the PREI Interests will range from $26.0 million to $37.2 million. See id. If a sale is accomplished at the midpoint of this range, the Monitor estimates that it would generate proceeds of approximately $31.6 million, leaving approximately $15.8 million in the PREI Proceeds Pool. See id., Monitor's 17th Report, at 7.

20. General Unsecured Proceeds Creditors located in the United States electing the New Common Shares instead of their *pro rata* share of the PREI Proceeds Pool (the "Equity Election Creditors") will receive their New Common Shares through the mechanic of a sale by one of the U.S. Debtors in exchange for their claims against CPC. In other words, on the effective date, CPC will deliver sufficient New Common Shares to Catalyst Paper (USA) Inc. to satisfy any Equity Election Creditors in the United States. Catalyst Paper(USA) Inc., in turn, will sell those securities to the Equity Election Creditors. See Second Amended Plan, § 6.6; Tenth Baarda Declaration, ¶ 13. As consideration for such sale, the Equity Election Creditors will transfer their claims against CPC to Catalyst Paper (USA) Inc. whereupon, the claims will be cancelled Id.

21. The Monitor, after considering the terms of the Second Amended Plan and other restructuring alternatives, determined the Second Amended Plan to be "fair and reasonable" in its report to the Canadian Court dated June 17, 2012. Monitor's 17th Report, at 8. In particular, the Monitor noted that the expected distribution to the unsecured creditors' class was fair. Monitor's

17th Report, at 11-12. Additionally, the Monitor indicated that the sale process pursuant to the previously court approved sale and investor solicitation procedures (the "SISP") offered greater risks to the recoveries of unsecured creditors than the Second Amended Plan. Id. Among other things, the Monitor highlighted that under the SISP there was a potential inability to liquidate assets and the inability to make sale proceeds available on a substantively consolidated basis. See id. Further the Monitor noted that, due to the liens of the 2016 Noteholders, unsecured creditors would generally fare worse in the context of a sale process than under the Second Amended Plan. Id. Based on these and related facts, the Monitor recommended that the Affected Creditors vote in favor of the Second Amended Plan and its distribution scheme. See id., at 12.

D. The Settlement Agreement

22. On June 22, 2012, after continued discussions over the terms of the Second Amended Plan, the Debtors reached a compromise with an ad hoc committee of various 2014 Noteholders representing approximately $120 million in principal amount of 2014 notes (the "Supporting 2014 Noteholders"). The terms and conditions of that compromise are outlined in the Settlement Agreement, a true and correct copy of which is attached to the Tenth Baarda Declaration as Exhibit C.

23. The Settlement Agreement includes the following key terms: (i) the Supporting 2014 Noteholders agreed to support the Second Amended Plan and vote their claims in favor of the Second Amended Plan at the Supplemental Creditors' Meeting, (ii) the Supporting 2014 Noteholders agreed not to pursue claims against directors and officers of the Debtors or against the Debtors, and (iii) the Debtors agreed to pay all documented legal fees and expenses of counsel engaged by the Supporting 2014 Noteholders up to a maximum amount of US$1.3 million. See Settlement Agreement, § 2.1, 2.2(b). This last key term is similar to other settlements in which the Debtors have agreed to pay the documented legal fees and disbursements of settling creditor groups,

including the retired salaried employees and the 2016 Noteholders. See Tenth Baarda Declaration, ¶ 14. The Settlement Agreement will terminate automatically without any further required action or notice on the date that the Second Amended Plan becomes effective and the fees and expenses are paid to the Supporting Noteholders. Settlement Agreement, § 4.6.

24. On June 25, 2012, the Canadian Court entered an order approving the Settlement Agreement and authorizing the Debtors to take any actions necessary to effectuate such agreement. See Tenth Baarda Declaration, ¶ 15. This settlement has made the CCAA restructuring a largely consensual process, thereby permitting the Debtors to avoid various applications and hearings typical in the Canadian Court in the context of a contested plan of compromise and arrangement. Id.

25. Additional general background regarding the Debtors' operations and the events leading up to the restructuring are detailed in the Second Declaration of Brian Baarda [Docket No. 39] filed in support thereof.

BASIS FOR RELIEF

26. This Court's entry of the U.S. Sanction Order is a precondition for the Debtors' emergence from the CCAA Proceeding and closing of the Chapter 15 Cases. In addition to being an express requirement under the terms of the plan documentation, such relief will significantly reduce the risk of uncertainty associated with the cross border distribution contemplated under the Second Amended Plan. Indeed, this Court's enforcement order along with approval of the related Settlement Agreement and stock sale under the Second Amended Plan will literally enable the Debtors to proceed with implementation of the restructuring.

A. The CCAA Sanction Order Should be Recognized and Enforced by this Court Pursuant to Chapter 15 of the Bankruptcy Code

27. Recognition and enforcement of the CCAA Sanction Order and its approval of the Debtors' consensual cross border restructuring is specifically the type of relief chapter 15 of the Bankruptcy Code was enacted to provide.

28. Pursuant to section 1507, following recognition of a foreign proceeding and at the request of a foreign representative, the Court "may provide additional assistance to a foreign representative under this title or under other laws of the United States." 11 U.S.C. § 1507(a). Bankruptcy Code section 1507(b) further adds the following:

> In determining whether to provide additional assistance under this title or under other laws of the United States, the court shall consider whether such additional assistance, consistent with the principles of comity, will reasonably assure. . .
>
> (1) just treatment of all holders of claims against or interests in the debtor's property;
>
> (2) protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in such foreign proceeding;
>
> (3) prevention of preferential or fraudulent dispositions of property of the debtor;
>
> (4) distribution of proceeds of the debtor's property substantially in accordance with the order prescribed by this title; and
>
> (5) if appropriate, the provision of an opportunity for a fresh start for the individual that such foreign proceeding concerns

11 U.S.C. § 1507(b).

29. Similarly, courts have held that "[c]hapter 15 specifically contemplates that the court should be guided by principles of comity and cooperation with foreign courts in deciding whether to grant the foreign representative additional post-recognition relief." In re Metcalfe & Mansfield Alternative Invs., 421 B.R. 685, 696 (Bankr. S.D.N.Y. 2010).

30. In addition to principles of comity, another key consideration is whether the requested relief supports coordination and cooperation among the courts in the administration of insolvency proceedings. In particular, section 1525(a) of the Bankruptcy Code states that, consistent with the purpose and scope of chapter 15 "the court shall cooperate to the maximum extent possible with a foreign court or a foreign representative." 11 U.S.C. § 1525. One such form

of cooperation may include "coordination of the administration and supervision of the debtor's assets and affairs." 11 U.S.C. § 1527(3).

31. Here, the provisions included in the CCAA Sanction Order should be enforced in the United States pursuant to the foregoing. Indeed, the general principles of comity and the specific considerations listed above support such enforcement. First, the laws of Canada and the United States share many common law traditions and insolvency principles reflected in the Second Amended Plan. Second, the Canadian Court has already approved the Second Amended Plan as being "fair" and in compliance with the CCAA, which, like the Bankruptcy Code, requires just treatment of all holders of claims. Third, in accord with the CCAA, the Second Amended Plan does not prefer the claims of Canadian citizens over foreign claimholders. Instead, creditors were placed into classes based on the economic terms of their claims ensuring equal treatment of claim holders. Fourth, cooperation by this Court is critical due to the Second Amended Plan's condition requiring entry of the U.S. Sanction Order before implementation of the plan terms. See Second Amended Plan, § 5.1. Fifth, the Canadian Court specifically requests the aid and assistance of this Court in giving effect to the CCAA Sanction Order. CCAA Sanction Order, ¶ 46. Finally, the distribution prescribed under the Second Amended Plan is fundamentally similar to the debt for equity distribution schemes regularly approved in the United States pursuant to Bankruptcy Code section 1129. As such, there are ample grounds for providing "additional relief" in the form of recognition as outlined in the U.S. Sanction Order.

32. Recognition of the CCAA Sanction Order will certainly aid in the administration of the Debtors' assets and the CCAA Proceeding by clarifying that the Second Amended Plan's structure for exiting insolvency proceedings and distributing assets also applies in the United States. Accordingly, enforcement of the CCAA Sanction Order in the United States will ensure the efficient and effective administration of the Debtors' estates on a uniform basis while simultaneously

promoting the concepts of international cooperation in accordance with chapter 15 of the Bankruptcy Code.

33. As an additional note, the relief requested herein is consistent with public policy applicable in chapter 15 cases; therefore, Bankruptcy Code § 1506 does not apply. Pursuant to section 1506 of the Bankruptcy Code, the Bankruptcy Code may not, grant additional relief that would be "manifestly contrary to the public policy of the United States." 11 U.S.C. § 1506. Notably, this "public policy" exception has been narrowly construed." 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)).

34. Here, nothing regarding the enforcement of the CCAA Sanction Order contravenes United States Bankruptcy Code policy. To the contrary, such enforcement embodies the very purpose of chapter 15.

35. Finally, numerous bankruptcy courts in this district and in other districts have regularly granted similar relief in the context of chapter 15 proceedings. See, e.g., Angiotech Pharm., Inc., Case No. 11-10269 (KG) (Bankr. D. Del. Apr. 7, 2011); In re Fraser Papers Inc., Case No. 09-12123 (KJC) (Bankr. D. Del. Feb. 11, 2011); In re Abitibi-Consol. Inc., Case No. 09-11348 (KJC) (Bankr. D. Del. Jan. 6, 2011); In re Ouebecor World Inc., Case No. 08-13814 (JMP) (Bankr. S.D.N.Y. July 1, 2009).

B. The Settlement Agreement Should Be Approved

36. In further aid to the implementation of the Second Amended Plan, CPC lastly requests that the Court approve the Settlement Agreement. Approval of the settlement between the Debtors and the 2014 Noteholders set forth above is appropriate under Bankruptcy Rule 9019 and supporting case law. See Fed. R. Bankr. P. 9019(a) ("[o]n motion by [debtors] and after notice and

a hearing, the court may approve a compromise or settlement"). Indeed, compromises, like that reflected in the Settlement Agreement, "are favored in bankruptcy" because they "minimize litigation and expedite the administration of a bankruptcy estate." In re Martin, 91 F.3d 389, 393 (3d Cir. 1996). In evaluating a settlement, a court must evaluate "whether the compromise is fair, reasonable, and in the best interest of the estate." Key3Media Group, Inc. v. Puliver.com Inc. (In re Key3Media Group, Inc.), 336 B.R. 87, 92 (Bankr. D. Del. 2005). The "best interest" test requires that the proposed settlement be "fair and equitable." Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424 (1968); Key3Media Group, 336 B.R. at 92. In determining whether the proposed settlement is fair and equitable, a Court should consider "(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors." Martin, 91 F.3d at 393.

37. In this instance, the above considerations support approval of the Settlement Agreement as fair and equitable. Indeed, without this settlement the restructuring would have been contested (or potentially rejected), which in turn would have created significant delay and significant attorneys fees payable with resources otherwise available for distribution. Indeed, as noted above, when a CCAA restructuring is contested there are additional applications required under the CCAA (which in turn requires additional hearings and delay). Without the Settlement Agreement, the transaction costs associated with the Second Amended Plan would have been significant. Further, it is unclear whether the Debtors would have been successful in obtaining the CCAA Sanction Order if there had been significant oppositions from the 2014 Noteholders. For all of the above reasons, the Settlement Agreement is clearly within the best interests of creditors because it will (i) ensure that resources are applied toward creditor recovery and (ii) ensure that such recovery occurs sooner than would have been possible in a contested case.

C. The Sale of Securities in Exchange for Claims Pursuant to the Terms of the Second Amended Plan is Fair and Reasonable

38. Section 363(b)(1) of the Bankruptcy Code provides: "[t]he Trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." Section 105(a) of the Bankruptcy Code provides in relevant part: "The Court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." Section 1520 of the Bankruptcy Code applies section 363 to property within the United States, including, in this instance, New Common Shares held by Catalyst Paper (USA) Inc. for distribution to Equity Election Creditors located in the United States.

39. Courts have held that approval of a proposed sale of assets of a debtor under section 363 of the Bankruptcy Code outside the ordinary course of business is appropriate if a court finds that the transaction represents a reasonable business judgment on the part of the trustee or debtor-in-possession. See In re Abbotts Dairies of Pa., 788 F.2d 143, 147 (3d Cir. 1986); In re Delaware & Hudson Ry. Co., 124 B.R. 169, 176 (D. Del. 1991). The "sound business reason" test requires a trustee or debtor-in-possession to establish four elements: (1) that a sound business purpose justifies the sale of assets outside the ordinary course of business; (2) that accurate and reasonable notice has been provided to interested persons; (3) that the trustee or the debtor-in-possession has obtained a fair and reasonable price; and (4) good faith. Abbotts Dairies, 788 F.2d at 147; Titusville Country Club v. Pennbank (In re Titusville Country Club), 128 B.R. 396, 399 (Bankr. W.D. Pa. 1991).

40. The proposed sale, pursuant to the Second Amended Plan, of the New Common Shares by Catalyst Paper (USA) Inc. to the Equity Election Creditors in exchange for the Equity Election Creditors' claims against CPC meets the "sound business reason" test. First, the Equity Election Creditors are receiving the same value for their claims by virtue of the sale that they would otherwise receive if CPC made a distribution of the New Common Shares directly. Second, by structuring the sale in this manner, the Debtors are able to expedite distributions to these creditors

and avoid an unnecessary and duplicative round of disclosure. As noted by the Monitor, creditors had ample notice and opportunity to vote on the Second Amended Plan, including the distribution mechanics. See Monitor's 17th Report, at 11 (noting that there was "a reasonable opportunity and process available for creditors who wish[ed] to change their vote in respect of the Second Amended Plan."). Interested parties thus have been given proper notice of the sale or transfer of the New Common Shares pursuant to the Second Amended Plan in the context of the CCAA plan process. Indeed, this transfer of the New Common Shares to the Equity Election Creditors is a fundamental component of the Second Amended Plan of which all parties in interest are aware. Accordingly, the sale of the Assets is within the Debtors sound business judgment and the sale should be approved.

41. Furthermore, approval of the sale under section 363(b) of the Bankruptcy Code necessarily includes a determination that the sale itself was "fair" (i.e., findings of fact that price is fair and negotiations proceeded in good faith). See, e.g., In re Tempo Tech. Corp., 202 B.R. 363, 365 (D. Del. 1996) (noting that the standards for approving a proposed sale under Bankruptcy Code section 363(b) include "'adequate notice, good faith negotiations and a fair and reasonable price'" (quoting Abbotts Dairies, 788 F.2d at 167-68)); see also In re Met-L-Wood Corp., 861 F.2d 1012 (7th Cir. 1988) (noting that after the time for appeal had run, the validity of an order authorizing a sale under Bankruptcy Code 363 would establish the legitimacy of the sale so as to shield it even from fraud claims of non-parties); Mickowski v. Visi-Trak Worldwide, LLC, 321 F. Supp. 2d 885, 898 (N.D. Ohio 2004) (same).

42. CPC is specifically requesting such a finding that the proposed sale is "fair" in order to consummate the Second Amended Plan without additional registration and disclosures under otherwise applicable state law. Such a ruling is necessary for the Debtors' utilization of certain exemptions provided under state securities laws in connection with securities offered in exchange for debt. See, e.g., Massachusetts Uniform Securities Act, § 401(i)(6)(D)(providing an exemption

from registration obligations for equity issued in exchange for a claim if there is an appropriate fairness hearing and a declaration that such transfer is fair to recipients of equity). Mass. Gen. Laws ch. 110A § 401(i)(6)(D).

43. As noted in previous filings, the CCAA provides a statutory restructuring framework similar to that provided under chapter 11 of the Bankruptcy Code. Indeed, the Second Amended Plan authorized under the CCAA specifically provides for a debt for equity exchange just as many U.S. chapter 11 plans of reorganizations provide for such exchanges. Notably, however, chapter 15 does not have a corollary to Bankruptcy Code § 1145 or any exemptions from the registration requirements imposed by state securities laws for securities issued under foreign restructuring plans. However, CPC is eligible for an exemption from registration requirements of state securities laws where a United States court adopts a finding that the sale of securities is fair. The distributions of the New Common Shares by Catalyst Paper (USA) Inc. contemplated under the Second Amended Plan represents such a fair sale of securities.

44. Under analogous case law interpreting comparable exemptions under federal securities law,[8] certain courts have indicated that when ruling on the fairness of debt for equity exchange (similar to the sale contemplated here), the following factors should be considered: (i) the recommendation of counsel and relevant entities; (ii) the scope of the record and relevant facts, (iii) available alternatives to the proposed debt for equity restructuring, and (iv) the procedural fairness of the notice and hearing disclosing such exchange. See Sec. Exch. Comm'n v. Blinder Robinson & Co., 511 F. Supp. 799, 801-02 (D. Colo. 1981).

[8] The Debtors do not require any relief with respect to federal securities laws because section 3(a)(10) of the Securities Act of 1933 recognizes "fairness" approval by a foreign court, which in this case was the Canadian Court, which expressly approved the Second Amended Plan, including the sale of New Common Shares, as fair and reasonable. See CCAA Sanction Order, ¶ 10.

45. Here, the facts clearly support a finding of fairness to the Equity Election Creditors. To begin, over 99% of unsecured stakeholders (which had the option to receive New Common Shares as part of their distribution) supported the Second Amended Plan during the Supplemental Creditors' Meeting. See Tenth Baarda Declaration, ¶ 8. This support was provided after full disclosure of the distribution alternatives available for unsecured claims. Second Amended Plan, § 3.2. Indeed, the Second Amended Plan and supporting documentation disclosed to all unsecured creditors that they had two sources of recovery (i.e., either a *pro rata* share of (i) the PREI Proceeds Pool subsequent to any *eventual* sale of the PREI Interests or (ii) the New Common Shares, which would be *immediately* available). Id. In previous reports filed with the Canadian court, the Monitor noted that the PREI Interests would be sold with "commercially reasonable" efforts and would therefore not be immediately available on the effective date. Tenth Baarda Declaration, ¶ 12. The Monitor also indicated the expected value of the PREI Proceeds Pool once it does become available. Monitor's 17th Report, at 7.

46. As such, unsecured creditors at the Supplemental Creditors' Meeting had information regarding the advantages and disadvantages of each distribution option available. With respect to the PREI Proceeds Pool, an advantage includes the availability of a valuation of the PREI Interests and expected PREI Proceeds Pool; whereas the disadvantages include the uncertainty regarding the timing of the sale and availability of the PREI Proceeds Pool. With respect to the New Common Shares, the advantages include immediate availability and potential liquidity; whereas the disadvantages include the absence of a detailed valuation of the New Common Shares. With this information, the unsecured creditors were offered the option to chose either the PREI Proceeds Pool or the New Common Shares. Hence, in every instance equity was offered, an eventual cash distribution on account of creditors' claims is also offered. Second Amended Plan, § 3.2. Based on

these disclosures and the level of information provided, it is clear that the sale of the New Common Shares in exchange for claims is fair to the Equity Election Creditors.

47. In addition to such disclosures, both the Canadian Court and the Monitor determined that the sale of securities pursuant to the Equity Election was fair. First, the Monitor (an independent fiduciary appointed to oversee the Canadian restructuring) concluded that the Second Amended Plan was fair and recommended that all creditors support it as a reasonable compromise. See Monitor's 17th Report, at 8, 12. Soon after, the Canadian Court ruled that the Second Amended Plan and its transactions "are procedurally and substantively fair and reasonable . . . and are in the best interests of the [Debtors] and the Persons affected by the Plan." CCAA Sanction Order, ¶ 10.

D. Relief from the Fourteen-Day Waiting Period Under Bankruptcy Rule 6004(h) is Appropriate

48. Bankruptcy Rule 6004(h) provides, in relevant part, that an order "authorizing the use, sale or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Fed. R. Bankr. P. 6004(h). Pursuant to the terms of the Second Amended Plan, the Debtors plan to being implementation of the plan terms immediately upon satisfaction of the conditions precedent in the Second Amended Plan. See Second Amended Plan, § 5.1. Notably, one of the conditions requires that the U.S. Sanction Order "shall have become a Final Order." Id., § 5.1(b)(iv). Consummating the sale of the New Common Shares to the Equity Election Creditors in a timely manner pursuant to the terms of the Second Amended Plan is important to CPC's efforts to maximize value for the Debtors' estates. Accordingly, CPC requests that the U.S. Sanction Order be effective immediately by providing that the 14-day stay under Bankruptcy Rule 6004(h) be waived in this instance.

NOTICE

49. CPC proposes to notify all Notice Parties of (a) the filing of this Motion, (b) the deadline to object to the Motion and (c) the hearing date for this Motion in accordance with this

Court's *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* [Docket No. 23] (the "Notice Order").[9] 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.

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[9] Pursuant to Notice Order, the Notice Parties include: (i) all entities against whom provisional relief is being sought under section 1519 of the Bankruptcy Code (excepting employees); (ii) all parties to litigation pending in the United States in which any of the Debtors are parties at the time of the filing of the Chapter 15 Petitions; (iii) the United States Trustee; (iv) the Debtors; (v) counsel to certain 2016 Noteholders (as described in the Notice Order); (vi) counsel to certain 2014 Noteholders (as described in the Notice Order); (vii) counsel to the Administrative Agent for the Debtors' postpetition credit facility, J.P. Morgan Chase Bank, N.A., Toronto; (viii) all other known parties who claim interests in or liens upon the assets owned by the Debtors in the United States; (ix) all governmental taxing authorities who have or may have claims, contingent or otherwise, against any Debtor; (x) governmental pension, environmental and Medicare entities; (xi) the Attorneys General of Delaware, California and Arizona; (xii) the Attorney General of the United States; (xiii) the Internal Revenue Service; (xiv) all relevant taxing authorities; and (xv) all parties who have requested notice.

CONCLUSION

WHEREFORE, for the reasons set forth herein and in the Tenth Baarda Declaration, CPC respectfully requests that the Court, after notice and a hearing, (a) enter the U.S. Sanction Order, substantially in the form attached hereto as Exhibit A and (b) grant any such other and further relief as this Court deems just and proper.

Dated: July 6, 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 U.S. Sanction Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 15
CATALYST PAPER CORP., et al.,	:	Case No. 12-10221 (PJW)
Debtors.	:	Jointly Administered
	:	**Related Docket No.: ___**

ORDER (I) RECOGNIZING AND ENFORCING CCAA SANCTION ORDER, (II) APPROVING SETTLEMENT AMONG THE DEBTORS AND 2014 NOTEHOLDERS, AND (III) APPROVING THE SALE OF SECURITIES IN EXCHANGE FOR CLAIMS PURSUANT TO BANKRUPTCY RULES 2002 AND 9019 AND 11 U.S.C. §§ 105(a), 363, 1507, 1525, AND 1527

Upon consideration of the motion (the "Motion")[1] of 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 "CCAA Proceeding") under Canada's Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA"), pending before the Supreme Court of British Columbia (the "Canadian Court"), for the entry of an order, pursuant to sections 105(a), 363, 1507, 1525, and 1527 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (i) recognizing and giving effect in the United States to the CCAA Sanction Order sanctioning, authorizing, and approving the Debtors' Second Amended and Restated Plan of Compromise and Arrangement (the "Second Amended Plan"), (ii) approving the Settlement Agreement, (iii) approving and declaring fair and reasonable the sale of securities to certain creditors in exchange for claims against CPC (the

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

"Stock Sale"), and (iv) granting related relief as this Court deems just and proper; and upon consideration of the Tenth Declaration of Brian Baarda [Docket No. __]; and upon further consideration of the record of the hearing on the Motion having been held before this Court; and due, sufficient, and proper notice of the Motion and the relief requested therein having been provided; and it appearing that no other or further notice need be provided; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and other parties in interest in these chapter 15 cases (the "Chapter 15 Cases"); and after due deliberation and sufficient cause appearing therefore,

IT IS HEREBY FOUND that:[2]

A. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and section 1501 of the Bankruptcy Code.

B. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

C. Venue is proper in this District pursuant to 28 U.S.C. § 1410.

D. On June 28, 2012 the Canadian Court granted the CCAA Sanction Order.

E. The relief granted herein is necessary and appropriate and in the interests of the public and international comity, consistent with the public policy of the United States, warranted pursuant to section 1507 of the Bankruptcy Code, and will not cause hardship of any party in interest that is not outweighed by the benefits of the relief granted herein.

F. The relief granted herein will, in accordance with section 1507 of the Bankruptcy Code, reasonably assure: (i) just treatment of all holders of claims against or interests in the Debtors' property, (ii) protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in the CCAA Proceeding, (iii) prevention of

preferential and fraudulent dispositions of property of the Debtors, (iv) distribution of proceeds of the Debtors' property substantially in accordance with the order prescribed in the Bankruptcy Code, and (v) an opportunity for a fresh start for the Debtors.

G. The Second Amended Plan's Stock Sale has received the support of nearly all of the Debtors' creditors as indicated by the vote of the Affected Creditors at the Supplemental Creditors' Meeting held on June 25, 2012.

H. The transactions, payments, steps, and releases or compromises made during the CCAA Proceeding or contemplated to be performed or effected pursuant to the Second Amended Plan (i) are fair and reasonable and (ii) are for reasonably equivalent value (as those terms are defined in each of the Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act and section 548 of the Bankruptcy Code) and for fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia. Approval of the Second Amended Plan and the consummation of the transactions contemplated thereby is in the best interests of the Debtors, their estates, creditors, and other parties in interest.

I. The Second Amended Plan and the transactions, payments, steps, and releases or compromises contemplated therein are not intended to delay or defraud creditors under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

J. The Second Amended Plan and transactions contemplated thereby, including but not limited to the Stock Sale, are procedurally and substantively fair and reasonable, not

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(cont'd from previous page)

[2] Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, pursuant to Bankruptcy Rule 7052.

oppressive and are in the best interests of (i) the Debtors, (ii) the Equity Election Creditors, and (iii) the Affected Creditors.

K. No bulk sales law or any similar law of any state or other jurisdiction shall apply in any way to the Stock Sale. No brokers were involved in consummation of the Stock Sale, and no brokers' commissions are due to any Person in connection with the Stock Sale.

L. The Second Amended Plan, the Settlement Agreement, and the Stock Sale are not contrary to the public policy of the United States.

M. Resolution of the disputes between the Debtors and the 2014 Noteholders on the terms set forth in the Settlement Agreement is (i) fair and equitable, (ii) a reasonable exercise of the Debtors' sound business judgment, and (iii) in the best interests of the Debtors, their estates, their creditors, and all parties in interest.

N. The notice given by the Debtors of the Motion, the relief requested therein, and of the hearing in respect of the Motion was timely, proper and, under the circumstances, was adequate and sufficient. No further notice of the request for the relief granted at such hearing is required.

O. The hearing held on the Motion was fair and open to all parties potentially affected by the relief requested in the Motion.

P. Cause has been shown as to why this Order should not be subject to the stay provided by the Bankruptcy Rules 7062, 6004, and 6006; and therefore

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

1. The Motion is granted.

2. The Settlement Agreement is approved.

3. The Debtors are authorized to pay all documented legal fees and expenses of counsel engaged by the Supporting 2014 Noteholders up to the amount of US$1,300,000.00 consistent with the terms of the Settlement Agreement.

4. The Stock Sale incorporated into the Second Amended Plan is approved.

5. The CCAA Sanction Order, a copy of which is annexed hereto as Exhibit 1, is hereby fully recognized and given full force and effect in the United States.

6. The transactions, payments, steps, and releases or compromises made during the CCAA Proceeding or contemplated to be performed or effected pursuant to the Second Amended Plan shall not constitute or be deemed to be a fraudulent conveyance, preference or any other challengeable or voidable transaction under the Bankruptcy Code or any other applicable federal or state legislation.

7. The Debtors are hereby authorized and directed to take all actions necessary or appropriate, in each case consistent with and in accordance with the terms of the Second Amended Plan and this Order, to enter into, adopt, execute, deliver, implement, and consummate the contracts, instruments, releases, and all other agreements or documents to be created or which are to come into effect in connection with the Second Amended Plan, and all matters contemplated under the Second Amended Plan involving any corporate action of the Debtors on behalf of the Debtors, and such actions are hereby approved and will occur and be effective in accordance with the Second Amended Plan and this Order, in all respects and for all purposes without any requirement of further action by shareholders, directors, or officers of the Debtors. Further, to the extent not previously given, all necessary approvals to take such action shall be and are hereby deemed to have been obtained from the directors or the shareholders of the Debtors, as applicable, including the deemed passing by any class of shareholders of any

resolution or special resolution, and no shareholders' agreement or agreement between a shareholder and another Person limiting in any way the right to vote shares held by such shareholder or shareholders with respect to any of the steps contemplated in the Second Amended Plan shall be effective or have any force or effect.

8. Pursuant to sections 105, 363, and 1520 of the Bankruptcy Code and as set forth in the Second Amended Plan, the Debtors and the Equity Election Creditors are each hereby authorized and directed to take any and all actions necessary or appropriate to: (i) consummate the Stock Sale as contemplated by the Second Amended Plan, and (ii) perform, consummate, implement and close fully all additional instruments and documents that may be reasonably necessary or desirable to implement the Stock Sale pursuant to the Second Amended Plan.

9. The Debtors are authorized and empowered to, and may in their discretion and without delay, take any such steps or perform such actions as may be necessary to effectuate the terms of this Order.

10. The terms of this Order, the CCAA Sanction Order, and the Second Amended Plan shall be binding on and inure to the benefit of the Debtors and the Debtors' creditors and all other parties in interest, and any successors of the Debtors and the Debtors' creditors.

11. The failure to include any particular provision of the CCAA Sanction Order, the Second Amended Plan, the Settlement Agreement, or any related documents in this Order shall not diminish or impair the effectiveness of that provision, it being the intent of the Court that the CCAA Sanction Order, the Second Amended Plan, the Settlement Agreement, and the related documents be approved and authorized in their entirety.

12. Notwithstanding any provision in the Bankruptcy Rules to the contrary, including the provisions of Bankruptcy Rules 7062, 6004(h), and 6006(d) staying the effectiveness of this

Order for fourteen (14) days which are hereby waived, this Order shall be effective, and the Debtors may consummate the Stock Sale contemplated by the Second Amended Plan immediately upon entry of this Order. Time is of the essence in closing the transactions contemplated under the Second Amended Plan. The Debtors are not subject to any stay in the implementation, enforcement, or realization of the relief granted in this Order.

13. Within three (3) business days of entry of this Order, the Debtors shall serve a copy of this Order upon the Notice Parties.[3]

14. 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 Order.

Dated: July __, 2012
Wilmington, Delaware

HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE

[3] Pursuant to this Court's *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* [Docket No. 23] (the "Notice Order"), the Notice Parties include: (i) all entities against whom provisional relief is being sought under section 1519 of the Bankruptcy Code (excepting employees); (ii) all parties to litigation pending in the United States in which any of the Debtors are parties at the time of the filing of the Chapter 15 Petitions; (iii) the United States Trustee; (iv) the Debtors; (v) counsel to certain 2016 Noteholders (as described in the Notice Order); (vi) counsel to certain 2014 Noteholders (as described in the Notice Order); (vii) counsel to the Administrative Agent for the Debtors' postpetition credit facility, J.P. Morgan Chase Bank, N.A., Toronto; (viii) all other known parties who claim interests in or liens upon the assets owned by the Debtors in the United States; (ix) all governmental taxing authorities who have or may have claims, contingent or otherwise, against any Debtor; (x) governmental pension, environmental and Medicare entities; (xi) the Attorneys General of Delaware, California and Arizona; (xii) the Attorney General of the United States; (xiii) the Internal Revenue Service; (xiv) all relevant taxing authorities; and (xv) all parties who have requested notice.

File a Motion:

12-10221-PJW Catalyst Paper Corporation

Type: bk	Chapter: 15 v	Office: 1 (Delaware)
Assets: y	Judge: PJW	Case Flag: MEGA, LEAD

U.S. Bankruptcy Court

District of Delaware

Notice of Electronic Filing

The following transaction was received from Van C. Durrer entered on 7/6/2012 at 7:41 PM EDT and filed on 7/6/2012

Case Name: Catalyst Paper Corporation
Case Number: 12-10221-PJW
Document Number: 154

Docket Text:
Motion to Approve *Motion for Order (I) Recognizing and Enforcing CCAA Sanction Order, (II) Approving Settlement Among The Debtors and the 2014 Noteholders, and (III) Approving the Sale of Securities In Exchange for Claims Pursuant to Bankruptcy Rules 2002 and 9019 And 11 U.S.C. Sections 105(a), 363, 1507, 1525, And 1527* Filed by Catalyst Paper Corporation. (Attachments: # (1) Exhibit A, Proposed Order) (Durrer, Van)

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

Document description: Main Document
Original filename:H:\temp\convert\Z 1 - SANCTION MOTION.pdf
Electronic document Stamp:
[STAMP bkecfStamp_ID=983460418 [Date=7/6/2012] [FileNumber=10918850-0] [09c0ea54c5ac38c7b6d0f6971e3974cd98b221b687bbeb7959deed0d3c3a1c208960 cc45f200638b0ee99d9fb4b3af7ebd556c12a08ceef2a5816bda3facbfa6]]
Document description: Exhibit A, Proposed Order
Original filename:Z 2 - Ex A Proposed Sanction Order.pdf
Electronic document Stamp:
[STAMP bkecfStamp_ID=983460418 [Date=7/6/2012] [FileNumber=10918850-1] [34df8aef261bdad54865557d2f9eb07b307c534d6205e381fd56a2a1a7ca29b8d2dd d638a18e31cfc38ac545b8739f6044ba9a1236342a36cd528790761535a4]]

12-10221-PJW Notice will be electronically mailed to:

Timothy P. Cairns on behalf of Interested Party Certain Holders of 2014 Notes
tcairns@pszjlaw.com

Timothy P. Cairns on behalf of Interested Party Certain Holders of 2014 Senior Notes
tcairns@pszjlaw.com

Mark L. Desgrosseilliers on behalf of Interested Party Andritz Inc., Andritz Ltd., and Andritz Iggesund